

# COMPETENCE

## Swissness

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Light artist Gerry Hofstetter lit up the Jungfrau in early January 2012 to mark the centenary of the Jungfrau Railway, a pioneering feat of engineering. The cogwheel railway passes through seven kilometers of tunnel to reach the highest-altitude railway station in Europe at 3454 meters.

Picture: © jungfrau.ch

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The mountains in their sublime beauty inspired the building of the chapel of Santa Maria degli Angeli on Monte Tamaro, high over the Ticino lakes. In this striking location, Mario Botta created (between 1990 and 1996) a work of art that is considered to be one of the most successful examples of contemporary church architecture. Botta says a great deal with minimal means. His work is characterized by beautiful design, perfect execution, sustainability, and permanence. Ticino architect Botta designs buildings all over the world, and also contributes to the training of young architects in Switzerland at the Accademia di architettura in Mendrisio.

Picture: Enrico Cano

# Building Competence.



Dear Readers

We take great pleasure in presenting to you the first international edition of COMPETENCE, the magazine of the School of Management and Law at Zurich University of Applied Sciences.

As a business school, we believe it is our duty to enter into and maintain a dialogue with other universities as well as with the private and the public sector, and to make this discourse available to the community as a whole. By providing a platform for the exchange of perspectives on current issues of international interest, COMPETENCE helps us achieve this goal: Representatives of corporations and trade associations present their views and point out important economic trends, while academics discuss this input in a broader context. We believe in a diversity of opinions, which is why COMPETENCE contains contributions by authors of different nationalities and from a variety of professional backgrounds, including executives, academics, specialists of various fields, and journalists.

This edition of COMPETENCE addresses the topic of Swissness. In a general sense, the term denotes anything that is typically Swiss. In a narrower sense, it describes a popular marketing concept that draws on Switzerland as a brand in order to connect the brands of products and services with the positive attributes this country stands for.

Prof. André Haelg  
Dean and Managing Director  
ZHAW School of Management and Law

Both definitions of Swissness are discussed in this magazine. From a corporate perspective, it is shown how Swiss values can be used as a marketing tool to maximize the success of a brand. From an academic perspective, Swissness is explored as an exceptional branding concept that is still surprisingly successful, but runs the risk of losing momentum. Finally, the expert perspective puts Switzerland's success story into an international context as specialists share with us their professional, but also their personal views.



The School of Management and Law dedicates this English edition of COMPETENCE to its partner universities all over the world, to the English-speaking academic and business community in Switzerland, and to our visiting lecturers and exchange students from all across the globe.

We hope you will enjoy reading about our beautiful home, Switzerland, and what makes it so special.

Dr. Regine Wieder  
Editor-in-Chief COMPETENCE



# The Swiss Army Knife: An Enduring Swiss Value

Victorinox, manufacturers of the Swiss Army Knife, use traditional Swiss values to market their products. Ironically, they are in part responsible for how the world perceives these values.

Interview: **Regine Wieder**

**COMPETENCE:** What does Swissness mean to you? What are typically Swiss characteristics?

**Carl Elsener:** In my opinion, the concept of Swissness encompasses all those typically Swiss attributes which are expressed by Switzerland as a brand. Thus, Swiss characteristics for me are reliability, solidarity, humility, a strong work ethic, and a keen sense of quality. But at the same time, Swissness also includes an attitude that is open-minded and far-sighted. Finally, Switzerland also means the best watches, the most delicious chocolate, and, naturally, the world's finest pocket knives.

The Victorinox Swiss Army Knife is one of the most prominent symbols of Swissness. What makes this knife so typically Swiss besides – in the original design – its red color and white cross?

**Carl Elsener:** It's three things: its high quality, its functional design, and its reliability. In fact, the Victorinox pocket knife is so strongly linked with these properties in people's minds that other companies use it to symbolize these qualities. The U.S. helicopter manufacturer Sikorsky, for example, refers to one of its models as the "Swiss Army Knife of helicopters". And Roger Federer has been described by the New York Times as a "veritable Swiss Army Knife of a tennis player".

What other products does Victorinox sell besides its famous Swiss Army Knives? How do you define what to include in your product portfolio? What are your strategic guidelines?

**Carl Elsener:** In addition to pocket knives, we sell household and professional knives, timepieces, travel gear, as well as fashion and fragrances. We want to develop and market products that are relevant to our customers and have the same unique combination of quality, functionality,

innovation, and iconic design that distinguish the original Swiss Army Knife. Whether these are pocket knives or timepieces, travel gear or fragrances, they all embody the same spirit. None of them is just a tool or a lifestyle object. They are companions for life.

Our fragrances, to take one example, meet these criteria, which is why they were added to our portfolio in 2005. We even gave them functionality by creating additional, travel-size containers made of plastic, designed to look like our knives. Before you go on a trip, you can pump a small quantity of fragrance from the glass bottle into the travel container in a few easy movements. In future, we'd like to show the original product values of the Swiss Army Knife even more clearly in our other product categories.

Your brand is called "Victorinox". Why have you decided to add "Swiss Army" to so many of your products, for instance your ladies' fragrance "Swiss Army Mountain Water for Her"? What makes the "Swiss Army" label so appealing?

**Carl Elsener:** The brand name "Swiss Army" originates in the United States, where it established itself in the 1950s and is still very successful. The term "Swiss Army Knives" was created by American soldiers who came to Europe during the Second World War and were impressed by the precision of the pocket knives used by the Swiss army. In 1950, our American distributor Forschner Group started to market Victorinox pocket knives under the label "Swiss Army Knives", and in 2002 we took over both Forschner Group and the Swiss Army Knives brand. We thought it important to own the name because it was created as a result of the qualities of the Swiss army knife and, also, because it stands for all Victorinox products, especially in the North-American market.

90 percent of your pocket knives are destined for export. Where are your main export markets and what makes your knives so successful there?

**Carl Elsener:** The United States and Germany have the lead. Together, they amount to over 30 percent of our export turnover, followed by China, Mexico, and France. The Swiss Army brand name is very popular in the United States, while in Germany customers focus on the useful functions of our knives. Our success in the German market is probably also due to the fact that Germans love home improvement and DIY. In Latin American countries, factors like a masculine culture and the traditional significance of knives in general may explain the good sales figures.

Victorinox knives are popular gifts. In some cultures, however, the knife holds negative connotations. Does this affect your marketing campaigns for those countries?

**Carl Elsener:** Since gifts often have symbolic meaning, some cultures have a problem with receiving a knife as a gift. In some Asian countries, for instance, the knife is considered a device that "cuts the ribbon of friendship" – even though many Asians like to buy our pocket knives when visiting Switzerland. You should therefore do some research before buying a knife as a present for a person from a different culture. In Europe, I've seen people pay a coin to the giver to deprive the knife of its negative power. It's thus very fortunate for us that our pocket knives are nonetheless very successful in Asia. We think it's because they're considered an accessory or a practical tool rather than a real knife.

We've also noticed cultural differences in consumers' expectations to how the knives are packaged. In China, for example, large, ostentatious packaging is almost as important as the contents themselves.

Even the window displays in our flagship stores vary according to cultural preferences: While in London, we display fashion, watches, and travel gear rather prominently, in Geneva our knives take pride of place.



Picture: Victorinox

Carl Elsener: "We are very aware that by producing the world-famous Swiss Army Knife, we have created a Swiss icon and the embodiment of a product 'made in Switzerland'."

Some of your articles are produced overseas, such as your luggage collection. Isn't that a conflict of interest, when you have a strong Swiss brand name such as Victorinox?

**Carl Elsener:** We are very aware that by producing the world-famous Swiss Army Knife, we have created a Swiss icon and the embodiment of a product "made in Switzerland". This is why Victorinox will continue to do everything they can to preserve this symbol of true Swissness. On the other hand, there are some product categories, such as





Picture: Victorinox

The Swiss Flash USB Knife has an LED light, a USB flash drive, ballpoint pen, scissors, nail file, and more. It comes in 2GB, 4GB and 8GB memory sizes.

luggage and clothing, where we are dependent on countries that have the know-how and the manpower necessary for efficient and economical manufacturing. Yet our brand promise holds true for all our products, even those that are produced abroad. We guarantee a high quality standard and choose our suppliers carefully. Victorinox has trained quality assurance teams who ensure that the high standards we set are met.

Internationally, Swiss products mainly have an image of reliability, high quality, and extravagance. Power of innovation is not usually associated with products made in Switzerland. However, is Victorinox seen as an innovative company?

**Carl Elsener:** Switzerland has many innovative companies. Victorinox, fortunately, is considered to be innovative both by our own country as well as internationally, which is very important for us. In fact, in 2011 we received the Swiss

Award for Business Achievement. New products are the cornerstones of our success in the future. By staying close to the market, we try to recognize new customer needs as early as possible and be innovative in creating new products. This has led to the development of the Golf Tool, the Cybertool, the Rescue Tool, or our memory sticks, the Victorinox Flash and the Victorinox Secure, the latter of which is equipped with a biometric fingerprint sensor.

How do you develop new innovations? Are you guided by the market or do you try instead to influence the market with great new products?

**Carl Elsener:** We are curious and open for anything new. Our customers provide the incentive and the motivation for us to always surprise them with new, unique products. In addition to our R&D department, where 20 people are continually developing new products and updating existing ones, other departments also contribute great ideas, as do our subsidiaries and partners. Our Rescue Tool, for example, was an idea suggested by our in-house fire-fighting team. And the Swiss Army Knife inspires many loyal customers all over the world to send us their ideas and suggestions. One customer recently requested we integrate a fine screwdriver to tighten those tiny screws on glasses. We have actually found an ingenious solution by hiding the mini-screwdriver inside the knife's corkscrew.

Innovation is also one of the key issues of our personnel policy. To give you an example: After the terror attacks on 9/11, our turnover for pocket knives plummeted by 30 percent when duty-free and on-board sales collapsed. In order to avoid lay-offs, we went looking for firms in the region which temporarily needed extra staff and lent them up to 80 of our employees for a period of 4 to 8 months. This enabled us to survive a critical period in the history of our company without having to make anyone redundant.

Your products strongly rely on Switzerland as a brand. Although such co-branding has many advantages, could this dependency on Switzerland as a brand also be risky, for example, if there is a sudden change in how the typical Swiss values are perceived abroad?

**Carl Elsener:** Actually, we also make a considerable contribution to brand Switzerland. Over 400 million Victorinox knives are already somewhere abroad, and another 20 million more follow every year. All of them act as ambassadors for our country. The image of our products depends heavily on high quality and reliability, both typically Swiss values. I'm confident that these qualities will continue to be associated with Switzerland – and rightly so – even if negative attention, such as the ongoing discussion on fiscal evasion and banking secrecy, temporarily casts a shadow over our reputation.

Last year, you won the SwissAward in the "Business" category. The jury argued that with Victorinox and Swiss Army you have exported an important piece of Swissness to the whole world, where it continues to be successful. What do you yourself consider as your greatest entrepreneurial success?

**Carl Elsener:** There are three achievements which mean a great deal to me: Firstly, there is the culture of mutual respect and trust, which has existed in our family firm for four generations, and which we have managed to uphold, further strengthen, and pass on to our subsidiaries. Secondly, pocket knives produced in Switzerland continue to be internationally competitive articles sold successfully all over the world. And, finally, Victorinox has succeeded in transferring the inherent product qualities of the Victorinox pocket knife to other product categories.

In 2009, your company won the Swiss Fairness Prize in recognition of outstanding fairness in personnel management. One of the criteria was integrating people from other cultures. What effect does this diversity have on Victorinox? What significance do you think the integration of other nationalities has on the success of the Swiss economy?

**Carl Elsener:** The great diversity of nationalities in our headquarters in Switzerland, but also in our foreign subsidiaries, is enriching in every way. It basically enables us to get to know the opinions of others and allows us to meet each other with mutual respect and appreciation. At the same time, different cultures have different competencies which our company needs in order to be successful.

We have, for example, hired a French perfumer to create our fragrances, and a Chinese with a great deal of international experience under her belt runs our subsidiary in Greater China. In order to succeed as an export nation, Switzerland generally needs to be close to its sales markets. And the only way it can achieve this is by means of cultural diversity.

#### Carl Elsener

Carl Elsener is the great-grandson of Victorinox's founder, Karl Elsener. He was born in Ibach-Schwyz on 4 July 1958 and studied business and marketing in Switzerland and around the world, most notably in the U.S., where he completed various management and leadership training programs. He is married, with three children, and has been directly involved in the family business for more than three decades. In 2006 he took over as the company's CEO.

A firm believer in humane, sustainable, and equitable business practices, Carl Elsener has helped oversee the company's expansion from a modest knife factory to a global icon. As the winner of the 2011 Swiss Award for Business Achievement, he is also a passionate advocate of Switzerland's unique design, engineering, and manufacturing heritage.

#### Victorinox

In 1884, Swiss pioneer Karl Elsener founded a cutler's workshop. By developing the now legendary "Original Swiss Army Knife" he soon paved the way for an unparalleled success story. In addition to pocket, household, and professional knives, Victorinox also produces and sells timepieces, travel gear, clothing, and fragrances all over the world. Each product is an expression of the unique quality of the little red pocket knife. The independent Swiss family company has a presence in over 130 countries and a global workforce of about 1,800.





A Braunvieh cow, a Swiss breed of cattle which was imported to the United States in the 19th century, where it became the origin of the Brown Swiss cattle breed. From the 1960s, these U.S. cows were crossed back into the Braunvieh stock of Europe. They are known for the high quality of their milk and their meat, as well as for being gentle and easy to breed. There is evidence that the monks of Einsiedeln bred Braunvieh cows as early as 1000 years ago.

Picture: © KEYSTONE/Alessandro Della Bella

# What is Swissness?

As a very lucrative marketing concept, Swissness relies on typically Swiss characteristics. Various stakeholder groups contribute to and use the Switzerland brand for their own purposes. In order to prevent dilution or abuse of the brand, it is important to find effective ways to protect it.

Authors: **Regine Wieder** and **Veronika Hübl**

Swiss products and services enjoy an excellent reputation all over the world. They are respected for their high quality and reliability, and a few, like Swiss Army Knives or IWC watches, have even assumed an iconic status. Currently, a plethora of brands worldwide associate themselves with Switzerland by using the distinctive red and white Swiss national colors, the Swiss coat of arms, or a tagline alluding to the legendary Swiss characteristics. Most of them are in fact genuinely Swiss, for instance the brand of the HAVO Group, a producer of cooling units, with its claim “Swiss competence in cooling”. Others, however, simply conjure up associations with excellent quality and a healthy, down-to-earth lifestyle, like the U.S. meat wholesaler from Kansas who advertises a blend of very ordinary spices as “Swiss-style Bratwurst seasoning”. Scientific studies indicate that products with a Swiss label can generally justify a mark-up of about 20 percent and, in the case of luxury goods, of even up to 50 percent. It is estimated that the revenue generated by Swiss products making visual or verbal reference to Switzerland amounts to nearly six billion Swiss francs per year.

## The Swissness Initiative

The value-enhancing properties of Swissness have attracted many free-riders and imitators, who apply obvious Swiss attributes to products that have little or no connection with Switzerland. This abuse of the brand will eventually dilute it and diminish its added value. In 2006, two cases of apparent brand abuse, in which Switzerland’s name and coat of arms were used for goods whose production took place almost entirely outside of Switzerland, caused heated debate amongst Swiss politicians, businesses, and farmers, as well as within the Swiss community. One of them was the cosmetics company Juvena that added “of Switzerland” to its brand name, even though its products were made in Germany. The other case was the Swiss manufacturer Sigg, who labeled cookware that was produced in China with “Switzerland” and the Swiss cross. Since then, the involved parties have been searching for a solution to the problem of how to define, legally codify, and protect Switzerland as a brand. This has led to the formation of the “Swissness Initiative”, which aims at a revision of the Swiss Coat of Arms Protection Act as well as the Swiss Trade Mark Protection Act. The initiative was inspired by regulations introduced for the watch industry more than 40 years ago in order to protect quality, Swiss production sites, premium prices, and thus Swiss companies. In March 2012, the Swiss National Council deliberated on the Swissness amendment and submitted it to the Swiss Council of States.

## Swissness as a Valuable Concept

In the context of the Swissness Initiative, the terms “Swiss made”, “Swissness” and “the Switzerland brand” arise. “Swiss made” generally refers to a product which was manufactured in Switzerland using Swiss materials and Swiss labor. Currently, it is mainly the watch industry that applies this label to its timepieces in order to identify them as genuinely Swiss. New laws protecting and defining the “Made in Switzerland” label for other industries are underway. “The Switzerland brand” is a nation brand, and like any nation brand, it does not exist in a legal sense, but it is commonly used to complement other Swiss product and service brands. “Swissness”, a pseudo-anglicism,



emerged in the late 1990s and has since been used rather widely in the sense of anything that is typically Swiss. In a narrower sense the term constitutes the application of Switzerland as a brand to Swiss – or seemingly Swiss – products thus allowing them to benefit from the positive attributes associated with Switzerland. These include, among others, reliability, precision, high quality, efficiency, thoroughness, and exclusivity. This transfer of the characteristics of one brand to another is referred to as co-branding, and aims at combining the strengths of both brands in order to increase the price consumers are willing to pay. In the context of the “Swissness Initiative”, Swissness denotes the degree of the Swiss origin of a product.

### Between Conservatism and Progressiveness

Since Switzerland as a brand is such an important element of Swissness, various interest groups, such as the Swissness Initiative, attempt to manage it similarly to a product brand. The Switzerland brand – as is the case with any country brand – bears many of the general characteristics that product brands possess. However, it needs to be considered that it also has some obvious differences. A product brand has to be distinctive, highlight advantages, evoke desires, communicate a promise, and act as a manifestation of the corporate identity which ultimately results in the image that is perceived by the public. The Switzerland brand certainly fulfills these requirements. It is also commonly accepted that the identity of an organization is formed by three elements: design, behavior, and communication. In the case of Switzerland the design is represented by its national colors, the Swiss flag or coat of arms, and the eye-catching landscape. The behavior is the manifestation of Swiss values and customs. Communication includes four national languages and English, as well as the line of argument that is, for instance, used to advertise Swiss products and Switzerland as a travel destination.

Ideally, design, behavior, and communication are consistent and in alignment with each other in order to create a homogeneous identity and thus a sustainable and

convincing image. In the case of Switzerland, however, it is only the design that is rather consistent; behavior and communication are always changing. As far as behavior is concerned, this is because Switzerland holds opposing values which are clustered around the two extremes of conservatism and progressiveness, thus creating contradictory impressions, at a first glance. Switzerland’s communication equally lacks focus. It does not consist of a uniform set of attention-seeking measures and lines of argument, but rather it is a combination of distinct individual voices: of corporations, professional associations, government representations, politicians, and tourist destinations. As a result observers encounter a blurred image of Switzerland as a brand.

### Country Brands as Common Property

The reason for such an inhomogeneous appearance is mainly related to the fact that the Switzerland brand has neither a brand owner nor a brand manager who could connect the disparate elements that feed into it. This again is due to the fact that country brands are, by nature, common property, and may consequently be used by various stakeholders, for example from the areas of business, politics and tourism. They each shape the country brand to meet their own purpose. One attempt to coordinate and manage Switzerland as a brand, and as a result influence Switzerland’s image, is the initiative by the Swiss Federal Department of Foreign Affairs (FDFA). According to the Federal Act and Ordinance on the Promotion of Switzerland’s Image Abroad, the FDFA holds the legal mandate to manage Switzerland’s external perception on a federal level. It regularly develops a communication strategy, defines objectives and issues guidelines such as “Working with Brand Switzerland” that help manage communication and the corporate design of the Switzerland brand. However, these guidelines are only directed at employees of Switzerland’s federal representations abroad and some of their partner organizations.

It is the businesses, including tourism, however, that have the strongest influence on how Switzerland as a brand is perceived abroad. They are closely followed by politics.

Even though education, science, and technology also have an impact on the image of the Switzerland brand, their contribution to how the country is perceived remains comparatively small. Nonetheless each of these fields creates its own dimension of Swissness, has its own focus and chooses which Swiss values it wants to communicate.

### Economic Dimension of Swissness

The economic dimension mainly relies on common Swiss values such as authenticity, reliability, high quality, and wealth – attributes that enable many companies to pursue a premium price strategy. Some Swiss companies, like Swatch or Roche, also strongly emphasize the value of innovation when they market their brand. In fact, innovation is something Switzerland can be very proud of. However, several studies (e.g. “Swissness Worldwide 2010”, conducted by the University of St.Gallen) have shown that, as a whole, Switzerland is not perceived as a particularly innovative country.

Tourism, being a part of the economy’s tertiary sector, generally draws from the values of natural beauty, recreational solitude, and folklore, as well as from the other traditional values that Switzerland possesses. However, there are some initiatives that attempt to create a more holistic and realistic image of Switzerland as a tourist destination by also including its modern aspects. For example, Switzerland Tourism, the national tourism organization, pursues a strategy that connects both views. In order to bridge the gap between tradition and modern life, it uses humor and wit. Traditional Swiss values, like attention to detail and cleanliness, are exaggerated, but are at the same time used to convey Switzerland’s emphasis on hospitality.

The advertising campaign “We do everything for your perfect holiday” exemplifies this contrast. One particular set of clips shows two men from the countryside bring the antithetical Swiss worlds together. In one scene the men appear in an alpine setting carrying a rock for miles just to place it right in the middle of a creek, so that hik-

ers can comfortably walk across. In two other scenes, they cut the grass with nail scissors and vacuum the floating dock in a lake to create the perfect scenery for their visitors. After presenting these idealistic scenes, the same men are portrayed, out of the tourists’ sight, both listening to hard rock music and visiting Zurich where they experience the other side of Switzerland: a modern world of progress, advanced technology, and luxury.

### Politics and Science as Further Dimensions of Swissness

In the field of politics, Swissness embodies the values of self-determination, security, neutrality, and humanitarianism, all of which are endowed with a high degree of reliability and stability. Self-determination not only manifests itself in the system of direct democracy, but also in other phenomena such as a very diverse and flexible education system, low taxation, and high healthcare standards. The importance of security – which comprises the social as well as the personal sphere – can be seen in aspects such as environmental protection or retirement provisions. Neutrality and humanitarianism are the cornerstones of Switzerland’s foreign policy and largely determine how the country presents itself in the context of diplomacy. The political dimension of Swissness, in itself, has been entirely consistent and very stable for many decades as far as its underlying values are concerned.

Science and technology not only communicate typical Swiss values of precision, thoroughness, reliability, high quality, and accuracy, but also those of progress and innovation – elements that the Switzerland brand as a whole does not sufficiently convey. Switzerland has a long tradition of chemical and medical research; it has developed many scientific innovations, and it is an important hub for international research and development. Some of Switzerland’s universities like ETH (Swiss Federal Institute of Technology) and EPFL (Ecole Polytechnique Fédérale de Lausanne) also have a world-class reputation for research, technology, and innovation. Yet all of these organizations are perceived as international rather than Swiss.



### Ambivalent Values as Attractions and Risks

In summary, it can be said that each of these dimensions of Swissness only partially communicates the same Swiss values; and this equally applies to the different organizations and individuals within every dimension. They emphasize very different aspects of Switzerland's identity, which creates an inconsistent image of the Switzerland brand. Probably the most striking inconsistency is the gap between the traditional and the modern appearance. In order to attract tourists, Switzerland is portrayed as traditional and conservative, whereas in the business sector and in the area of science and technology it is promoted as modern and cosmopolitan. Visitors to Switzerland will of course encounter both worlds: They might visit the rural canton of Appenzell with its famous cattle procession ("Alpauzug") in the morning and take a stroll down Zurich's glamorous and sophisticated Bahnhofstrasse at night. This contrast in values might be appealing, but it is not without risk. Since the different dimensions of Swissness discussed above are in fact closely related, a value shift in one field can affect the values in another. For example, a possible loss of trust caused by the controversies around tax issues and bank secrecy might conceivably lead to less credibility on the stage of international politics. However, for this to happen, discussions would have to continue for an extended period of time and take on a moral dimension.

### Ways to Protect Swissness

Swissness being such a valuable concept, strategies need to be developed to safeguard it. The most effective means to achieve this will certainly be legislation to protect the Swiss trademark and coat of arms, which is currently being discussed in parliament. This is a particularly important measure because it will directly help businesses. After all, it is mainly their products that have created the Switzerland brand. The above-mentioned legal revisions can guarantee protection only as far as the good quality of Swiss products is concerned, they do not protect other image factors that make a brand sustainable and attractive. Hence, it is of paramount importance to keep an eye

on the ambivalent images that the brand conveys and to systematically monitor how Switzerland is perceived, internally as well as externally. Currently, perceptions are mainly based on traditional and conservative values rather than on innovation or cutting-edge research. However, for a brand to stay attractive in the long run, it needs to be open to new developments from the outside. These must be closely observed, and changes like value shifts and trends must be taken into consideration as early as possible. That said, not enough is being done to promote Switzerland's innovativeness, even though it has a lot to offer in this respect. The private sector, but also tourism and politics, would do well to keep this in mind in their efforts to promote, and contribute to, the Switzerland brand.

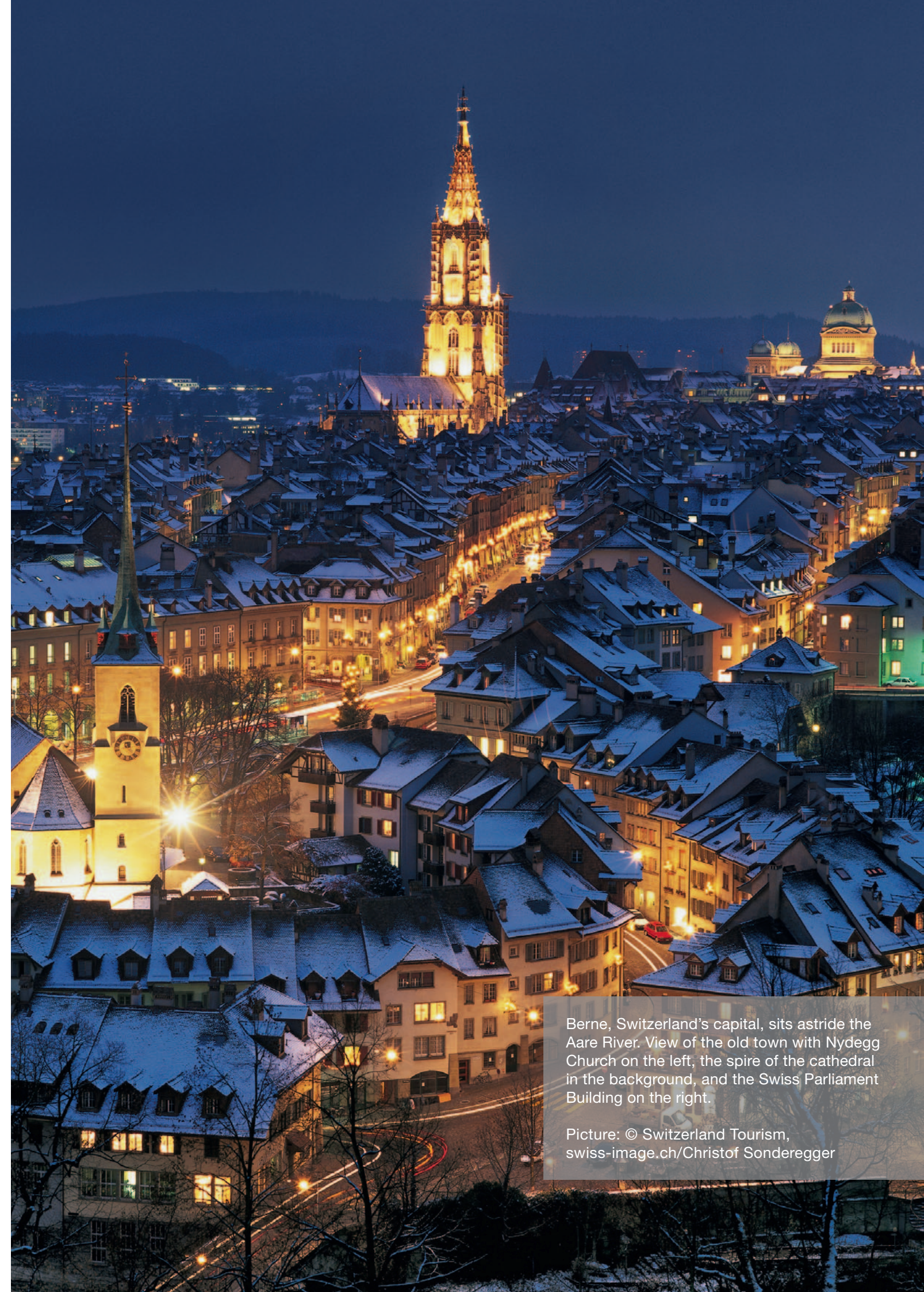
#### Regine Wieder

Dr. Regine Wieder is a senior lecturer in Communication, Public Relations, and Philosophy of Science at the ZHAW School of Management and Law. After earning her D.Phil. in European Literature from the University of Oxford and spending some time as a visiting researcher at the University of Pennsylvania, she worked as a corporate communications specialist in the private and the public sector.



#### Veronika Hübl

Dr. Veronika Hübl earned a PhD in Linguistics from Sorbonne Nouvelle University, Paris, and Ludwig Maximilians University, Munich. After holding an affiliate professor position at ESCP Europe, Paris, and working as a communications manager in Munich and Lugano, she is currently a senior lecturer in Communication at the ZHAW School of Management and Law.



Berne, Switzerland's capital, sits astride the Aare River. View of the old town with Nydegg Church on the left, the spire of the cathedral in the background, and the Swiss Parliament Building on the right.

Picture: © Switzerland Tourism, [swiss-image.ch/Christof\\_Sonderegger](http://swiss-image.ch/Christof_Sonderegger)



# Switzerland as a Brand

What signifies Switzerland as a brand? Two very distinctive faces of Switzerland coexist alongside each other, attracting not only tourists but consumers of everything Switzerland has to offer.

Author: **Cary Steinmann**

Ben Vautier, a French artist with Swiss roots, created a daring motto for the official Swiss Pavilion at the 1992 world's fair, Seville Expo '92: "La Suisse n'existe pas" (Switzerland does not exist). With his provocative comment, Vautier alluded to the scornful doubts which have been raised about the existence of Switzerland for one and a half centuries by questioning the concept of a state as a nation and as a homogeneous cultural space. His statement also points at the country's perception of itself as a "nation by will" as well as at its image as an "exception" amongst the other European states. Even if Switzerland does not exist as a unified nation, it certainly exists as a picture in people's minds. The questions of how Switzerland is perceived as a brand by others and how it presents and sells its brand are discussed in the following paragraphs:

## Three Brand Characteristics

The first remarkable element of Switzerland's unique branding is its reference to classical antiquity. Its official Latin name, Confoederatio Helvetica (i.e. 'Swiss Confederation', hence its abbreviation CH), which was admittedly coined as late as 1848, defines Switzerland as a federal republic (consisting of 26 cantons, with Berne as the seat of the federal authorities). A country whose name is associated with the classical period must without a doubt also distinguish itself with other elements of classical culture: a world-class education system, a multicultural and multilingual environment (Switzerland has three main cultures and four official languages), and a touch of sophistication.

Another element of Switzerland as a brand is its relationship with its obvious affluence. It is one of the world's richest countries and reports the highest wealth-per-adult ratio in the world. However, Switzerland does not evoke

the nouveaux-riche luxury of Monte Carlo or Dubai. Due to the down-to-earth mentality of the Swiss people, and to some degree also influence of the Reformation brought to various parts of the country by Zwingli, Farel, and Calvin, modesty is valued very highly in Swiss society. As a result, Switzerland stands for unostentatious wealth and understated luxury. The third important brand characteristic is identification. The Swiss have a strong sense of belonging to their country, despite the fact that they are not a nation with a common ethnicity or linguistic identity. Yet the Swiss celebrate their history, their shared values of federalism and direct democracy, and the symbolism of the Alps.

## Modern Image of Switzerland

In 2002, the author of this article conducted a study amongst strategic planners from over 30 countries, analyzing what is loved or hated about Switzerland from a global point of view. It did not come as much of a surprise that Switzerland is loved for representing a cosmopolitan lifestyle, quality, diversity, efficiency, but also effective design, cleanliness everywhere, organization skills, politeness, and a sense of safety. By contrast, what was perceived as negative about Switzerland was the impression that it is expensive, cold, and boring and that its people are too rich, too conservative, and too introverted. If it is true that strong brands tend to polarize, then these results indicate that Switzerland is a strong brand.

The interesting thing about the findings of this survey is the absence of mountains, cows, cheese, chocolate, and the other Swiss clichés. Perhaps the interviewees, due to their profession, were more reflective than the average participant. The result nonetheless underlines the fact that

Switzerland as a brand has the ability to project a modern perspective on country and people, one that transcends the traditional Swiss world of "Heidi" (a novel about the life of a young girl in her grandfather's care in the Swiss Alps written in 1880 by Swiss author Johanna Spyri).

The modern view of Switzerland as a brand is strongly related to world-famous companies like Nestlé, Novartis, Credit Suisse, UBS, USM, Rolex, Swatch, as well as Omega and all the other Swiss luxury watch labels. It is most likely also a result of the achievements of some of Switzerland's distinguished ambassadors in the fields of art, science, and sports: Herzog & de Meuron, for example, the architects who built the Bird's Nest in Beijing and the Tate Modern Gallery in London, film producer Arthur Cohn, or Kurt Wüthrich, winner of the Nobel Prize in Chemistry in 2007. Others include athletes like Roger Federer, the Swiss U17 soccer team, which won the World Cup in 2009, or the team of the Alinghi, who successfully defended their title at the 2007 America's Cup.

## Ambivalent Brand

Switzerland is a Janus-like brand, looking at two worlds. On the one hand, there is the modern reality of financial security, an outstanding infrastructure, and very high quality of life, with the three major Swiss cities of Zurich, Geneva, and Berne ranking among the world's top ten according to the Quality of Living Survey of Mercer Consulting 2011. On the other hand, there is the Disneyland-like dramatization of a world full of folklore, clichés, and kitsch that seems to come straight from a children's book. This Switzerland can be observed at every tourist destination of the country: Visitors get the impression that the Swiss are country folk, strong and honorable like William Tell (who may never have existed) or innocent and helpful like our beloved Heidi. They are shown to live in the mountains on picturesque farms wearing traditional national costumes, drinking healthy milk, and eating Swiss cheese. In fact, the Swiss tourism industry supports these idealized notions by emphasizing Switzerland's unspoiled natural beauty, clean air, healthy livestock, and happy people.

Sometimes, however, the two worlds collide: Visitors arriving at Zurich Airport's Terminal E take the Skymetro, a subterranean air cushion cableway, to the main building of the airport. Inside, they can read signposts such as "Heidi 30 Sec." (indicating the time of the ride), watch a short movie (e.g., of the Matterhorn), and listen to the sound of cowbells, mooing cows and bleating goats over the speaker system. This is an outstanding example of a brand paradox. It can be concluded that Switzerland as a brand is positioned somewhere "in the middle of the doughnut", which means that its image is not very distinct. According to brand theory, a brand with such ambivalent positioning cannot be successful. However, the case of Switzerland seems to be an exception to the rule and absolutely unique – just as unique as Switzerland.

## Cary Steinmann

Cary Steinmann is a Professor of Marketing and Communication at the ZHAW School of Management and Law. He studied Economics and Business Administration at the University of Berne and received his Ph.D. from the University of Fribourg. For 15 years, Cary Steinmann held leading positions in some of the top advertising and marketing firms in Switzerland and Germany.





# Switzerland, the Beautiful. Swiss Image Abroad

In the light of increasing global competition, a positive country image is a highly valuable competitive advantage. In their efforts to profit from the positive attributes of the Swiss image abroad, Swiss businesses would do well to present the world with a broader, more modern view.

Author: **Petra Barthelmess**

More than the actual physical experience, it often is the imaginary that inspires consumer behavior. A positive and refined image raises consumers' anticipation of a unique experience or benefit, and thus influences behavior. To a certain extent, what goes for products also applies to countries. According to the FutureBrand 2005 Country Brand Index, "A country exists not only in its physical form, but in the imagination." A positive country image has a positive effect on that country's international business relations, it can be a stabilizing factor in its foreign affairs, and it can trigger international interest and wanderlust.

It is not new for nations to care about image. Nevertheless, in the course of increasing globalization over the last 10 to 15 years, efforts by countries to manage their international reputation have intensified. One major reason for this is that globalization has brought a heightened sense of cultural homogeneity; in other words, globalization is diminishing and threatening local diversity.

## How Companies Profit from a Positive Country Image


More than ever, nations feel the need to formulate and emphasize their distinctive characteristics in order to set themselves apart from other countries. In the light of increasing global competition, the necessity for them to accentuate and promote their distinctiveness by emphasizing local characteristics has increased. The ability to create a positive and authentic image and to successfully present it to the world has become a highly relevant competitive advantage – not only for the country in question but for all private actors. Anyone representing their home country in

some way will profit from a positive country image while, by the same token, a negative impression will affect everyone. As a result, product marketing campaigns are often linked to the positive preconceptions consumers have of the country the product comes from. Thus, according to business journalist Lee Hudson Teslik, Hermes scarves, Baccarat crystal, and Beaujolais Nouveau evoke French savoir faire and art de vivre; Mercedes-Benz and BMW both profit from the high opinion people have of German manufacturing, especially in the field of engineering; and Swiss lingerie and undergarment manufacturer Hanro (of Switzerland) emphasizes Swiss strengths such as elegant understatement, high quality, and tradition.

A positive image can dramatically influence a country's success in exports, in attracting tourism receipts and investment capital, in recruiting a talented and creative workforce, and in widening its cultural and political influence in the world. In other words, a good country reputation can have an impact on individuals' interest, trust, and hence on their decision to visit or emigrate to a country, to work or study there, and to invest in or consume a country's products.

## Switzerland's Image Abroad

As both the Nation Brand Index and the Country Brand Index indicate, for such a small country, Switzerland has an extraordinarily high standing when it comes to national image. According to the most recent Country Brand Index Switzerland's nation brand describes a country that really "punches above its weight". On average, Switzerland receives its highest scores on natural beauty. Next to New



Peak performance on the glacier. The new Monte Rosa Hut at an altitude of 2,883 meters is an ecological masterpiece, meeting an amazing 90 percent of its energy needs using a solar thermal and a photovoltaic system. Inaugurated in 2009, this hi-tech hostel is a joint project of the Swiss Federal Institute (ETH) Zurich, the Swiss Alpine Club (SAC), the School of Technology and Architecture of the Lucerne University of Applied Sciences and Arts, and the Swiss Federal Laboratories for Materials Science and Technology (EMPA).

Picture: © FDFA, Presence Switzerland



Zealand and Canada, it is perceived as the most beautiful country in the world. And when it comes to quality of life (which includes factors such as good governance, standard of living, safety, job opportunity, and civil rights), Switzerland regularly makes it into the top three. Nevertheless, by comparison Switzerland ranks more poorly in

“Next to New Zealand and Canada, Switzerland is perceived as the most beautiful country in the world.”

terms of cultural, scientific, or technological achievements and often does not even rank among the top 20. In the category “Cultural Achievements”, for example, Switzerland only occupies ranks 18–21 in the Nation Brand Index 2008–2011 or Rank 24 or below according to the Country Brand Index 2010–2012. According to Presence Switzerland’s Comparative Image Study, this is hardly surprising since, traditionally, Switzerland’s image has never included being a particularly innovative country, be it culturally or in terms of science and technology.

### Spontaneous Associations with Switzerland

Last spring, in the context of preparing for its contribution to the Swiss Pavilion of the Expo 2012 in South Korea, the ZHAW School of Management and Law conducted a survey among more than 1000 South Korean students on how they perceive Switzerland. What do you associate with Switzerland? The answer pattern very much reflected the above-stated results: Switzerland’s natural beauty prevailed as the predominant defining element of Swiss image abroad. South Korean students perceive Switzerland as a counterpoint to their urban environment (most students live and study in the metropolitan area of Seoul) and thus as an ideal natural place that is beautiful, clean, and ecologically intact. Virtually every answer made some reference to the Swiss Alps and included elements such as snow, glaciers, lakes, cattle (usually sheep or cows) grazing on green meadows, and, in the middle of this setting, Heidi, the girl of the Alps. Other concepts the students mentioned in connection with Switzerland were its

wealth, security, and peacefulness. The only association in connection with the Swiss economy was Switzerland’s position as a financial center. However, connotations were generally rather negative.

South Korean students identified the following as Swiss products: watches, chocolate, cheese, and knives – all products that do not signify a high-tech standard or great innovation but rather traditional craftsmanship. All in all, the results confirm those of other image studies, i.e. a predominance of the usual clichés of a rich and peaceful country of mountains, chocolate, cheese, and banks. In people’s imagination, Switzerland remains an intact natural paradise that has more or less escaped the negative side-effects of modern industrialization. Practically inexistent are attributes that represent the modern, urban face

“In people’s imagination, Switzerland remains an intact natural paradise that has more or less escaped the negative side-effects of modern industrialization.”

of Switzerland. Of all the students who took part in the study, only two came up with CERN in Geneva, ETH in Zurich, WEF in Davos, the Ecole hôtelière de Lausanne, and Swiss food giant Nestlé. While this lack of knowledge might be unfortunate for them, it first and foremost constitutes a problem for Switzerland.

### Country Image Promotion 2.0

The past ten years represent a turning point in the way a country’s image evolves. In earlier times, reputations grew slowly and remained relatively consistent over a long time (often even over the course of generations). Today, the opposite is true. The Internet and our ability to instantaneously connect with other citizens of the world, with images, news, opinions, and rumors, have contributed to an increased volatility in perception and image. In earlier times, only a comparably small and exclusive elite was able to travel, communicate across borders, and thus to influence a country’s image. Today, there are countless

stakeholders influencing public opinion. In today’s borderless world of instant communication, a nation’s reputation has become less controllable, more fragile, and increasingly instable. Everyone has become an agent of image promotion. In April 2011, the Swiss Federal Department of Foreign Affairs published guidelines for all stakeholders involved in the representation of Switzerland. These state, for instance: “In today’s globalized information society, countries safeguard their foreign policy interests and exert influence around the world to a large degree in the open public. It is therefore in a country’s interest to promote a good image ... and to feel that its achievements are also known and acknowledged around the world.”

### Beyond Mountains, Chocolate, and Cheese

The prevailing attributes of Switzerland’s positive image abroad comprise in essence two central elements: its high standard of living and its natural beauty. The latter certainly serves the interests of the Swiss tourism industry. Nevertheless, it has the unfortunate side-effect of eclipsing the more modern face of Switzerland, which comprises a thriving economy and a technologically highly developed as well as culturally sophisticated urban society. The aim of any image campaign must be to successfully transfer these more modern images without destroying the other, well-established features. In addition, other countries should be made to understand that the Swiss enjoy a high quality of life because of Switzerland’s successful economic performance. This, in turn, is based on the competitiveness of its private sector, which has much more to offer than financial services. For instance, it produces highly innovative technology like the first mass-marketed computer mouse (Logitech) or the World Wide Web (invented at CERN in Switzerland).

Another aim must be to communicate that Switzerland is beautiful not because of a lack of industrialization, but because of its eco-friendly economy – which in turn is based on its high standard of environmental technology and management. Switzerland’s natural beauty is legendary, and so are its achievements in the preservation of its

natural world. Of course, these claims must be backed up by effective action. Any future image campaign must convince the world that Switzerland has definitely more to offer than the perfect setting for a romantic Bollywood movie.

### Petra Barthelmess

Dr. Petra Barthelmess was born and raised in Germany, South Korea, and Switzerland. She studied History, Political Science, and Sinology at the University of Zurich and obtained a doctorate in Contemporary History. From 1997–2000 she worked for the Bergier Commission. Currently, she is a senior lecturer in Intercultural Competence and Political Science at the ZHAW School of Management and Law.







# IdÉE Suisse: Transferring Knowledge from the Ground Up

In multilingual countries such as Belgium, Canada, or Switzerland, public understanding between the different language regions and social groups is of high relevance. Media in general and public service broadcasters in particular are expected to make a contribution to public understanding. The IdÉE Suisse project is transdisciplinary in that it involves practitioners and academics in solving real-world problems – the essence of Swissness.

Author: **Daniel Perrin**

Switzerland is a country where many parliamentarians and ministers travel to work by public transport, even standing when coaches are crowded. Switzerland is a direct democracy in which the president of the federal council taught future media professionals at our university's journalism school to scrutinize power in general and politics in particular. And Switzerland is the main media market of SRG SSR, the only Swiss public broadcaster. Between 1999 and 2011, SRG SSR complemented its acronym by adding IdÉE Suisse to signal the company's public mandate: promoting public understanding and fostering national identity across societal groups in a highly multilingual country.

## Praising Little Europe

At first sight, this mandate means connecting the German-, French-, Italian-, and Rumantsch-speaking parts of Switzerland, with their 4.2, 1.2, 0.25, and 0.003 million first-language speakers, respectively. From a sociolinguistic perspective, however, “promoting public understanding” also means mediating between the interests, topics, stories, and languages of social groups – such as the urban and the rural, the young and the old, the poor and the rich, the less- and the well-educated. In the context of European public service broadcasters, SRG manages to do this in an exemplary way. Gilles Marchand, director of TÉLÉVISION SUISSE ROMANDE, the SRG SSR business unit providing TV programs for the French-speaking part of Swit-

zerland, puts it like this: “I often talk with my French colleagues, for example, or my Spanish colleagues, and so on, and they are totally astonished to realize that we manage to work in these different (cultural and linguistic) contexts and pursue a media policy which is, after all, close to coherent. They consider it an extraordinary achievement; it's like a little Europe, a little Europe.”

The quote is taken from the data corpus of a national research project we have been running since 2005. In this transdisciplinary project, three universities collaborate with the broadcaster's management and newsroom staff to investigate whether and how SRG SSR, caught between public service demands and market forces, should and actually does fulfill its mandate of promoting public understanding.

## Identifying Positive Deviants

In four research modules, we focus on policy makers' expectations, media managers' interpretation, journalists' media production, and their media reflection in the newsrooms. By doing so, we actually combine three research frameworks: ethnography for in-depth analyses, grounded theory for systematic generalizations from case studies, and transdisciplinary action research for effective knowledge transfer between theory and practice. In the multi-method design of the project, interviews with policy-makers and media managers are triangulated with

Revision of the particle accelerator Compact Muon Solenoid (CMS), one of the experiments for the Large Hadron Collider at CERN, involving nearly 1,900 scientists from 150 institutions and over 30 countries. CERN is an international organization situated near the Swiss town of Meyrin.

Picture: © FDFA, Presence Switzerland



in-depth analyses of the activity in the newsrooms: the editorial conferences, the workplace conversations, and the text production processes themselves.

Initial results of the project proved to be “face-threatening” for the SRG SSR management: The media managers in general, with certain exceptions such as Marchand, were frustrated by the expectations of media policy-makers. In the face of increasing market pressures, they argued, the public mandate of promoting public understanding seemed over-ambitious, even unfeasible. On the ground floor of the organization, however, some experienced journalists developed emergent solutions of storytelling that helped them overcome the conflict between the public mandate and the competitive media market. Closer investigation of these positive deviants reveal professional practices of telling fascinating stories (and thereby catering to the media market) about socially relevant issues (and thereby fulfilling the public mandate). Practices also include using the anchor’s introduction for verbal and the news item itself for predominantly visual information, and developing leitmotifs to explain complex matters.

While the research project was going on, as well as after its completion, this tacit knowledge was and is still being made explicit to the entire organization in systemic knowledge transformation: in empirically-grounded training and coaching, and in projects of organizational development. Journalists from various SRG SSR newsrooms learn how to overcome critical situations by applying good practice. In coaching sessions, chief editors and media managers are shown how to provide conditions that facilitate creativity rather than constrain it. In joint workshops, researchers, media managers, and policy-makers develop scenarios to procure the resources needed to fulfill their mandate, such as time and money, journalistic experience and cultural mobility, and, thus, professional education.

### Mapping Swissness and Transdisciplinarity

The transdisciplinary approach to the problem of promoting public understanding, as well as the solutions developed, have attracted the interest of researchers, policy-

makers, and media practitioners worldwide. Why is the IDÉE SUISSE project an interesting case? The answer to this question lies in the specific properties of the collaboration between researchers, practitioners, and society at large. They reflect Swissness as outlined in this magazine: as multiculturalism, risk awareness, work ethics, affluence, and understatement.

**Multiculturalism:** Switzerland considers itself a multicultural nation by conscious choice (“Willensnation Schweiz”). This is reflected, for example, in a confederation of 26 otherwise sovereign cantons, in public service media programs broadcasted in four national and six additional languages (Arabic, Chinese, English, Japanese, Portuguese, and Spanish), and in National Research Programme 56 on “Linguistic diversity and competence in Switzerland” ([www.nfp56.ch](http://www.nfp56.ch)). The IDÉE SUISSE project is part of this program. In line with the funding policy of the SWISS NATIONAL RESEARCH FOUNDATION (SNF), the project and any follow-on studies bring together researchers and practitioners from all four linguistic regions. This multilingual environment stimulates intercultural communication across the borders of languages and research cultures as well as discussion of theoretical and practical perspectives.

**Risk awareness:** People in Switzerland spend more money on insurance than people in any other country. Being aware of risks and knowing how to calculate and minimize them is also a success factor of transdisciplinary research. This is what is claimed by the globally active Network for Transdisciplinary Research, based in Switzerland ([www.transdisciplinarity.ch](http://www.transdisciplinarity.ch)). As soon as they leave the safe territory of academic disciplines and academia to communicate and collaborate across traditional borders, researchers run the risk of getting lost in wastelands of vagueness and misunderstanding. Transdisciplinary researchers deal with these risks systematically. Their aim is to sustainably identify and solve socially relevant practical problems. Implementing a public service broadcaster’s mandate is one of these problems. It transgresses established interests, types of knowledge, and groups of stakeholders.

**Work ethics:** Huldrych Zwingli (1484–1531), the leader of the Swiss Reformation and a contemporary of Martin Luther, praised human work as “something good”, even a “divine issue”. Apparently, Switzerland has learnt this lesson well. The Zwinglian work ethic still reverberates in a keen sense of quality (VICTORINOX), a world-class education system (professional apprenticeships), industrial innovation and productivity (LOGITECH), and world-leading research (CERN). In such an environment, both sophisticated research and journalistic expertise tend to be valued by society at large – and even by policy makers and media managers, who risk being challenged by research findings about experienced professionals at the bottom of hierarchies.

**Affluence:** Switzerland has a comparatively small gap between incomes, extremely conscientious taxpayers – and the highest wealth-per-adult ratio in the world. This results in considerable public funds that can be invested in, for example, public service media (CHF 462 million from concession fees in 2011) and the highly competitive, but financially attractive, research funding system administered by the SWISS NATIONAL SCIENCE FOUNDATION (CHF 897 million in 2011). Financial resources are what complex transdisciplinary approaches need, as well as the expertise and will-power of all the stakeholders involved. Spending several months investigating text production processes in Swiss TV newsrooms is one thing. Thoroughly implementing the measures of knowledge transfer that result from the data analysis is quite another matter. Not being forced to compromise for pecuniary reasons is a good starting point for evidence-based organizational learning.

**Understatement:** Humility and a down-to-earth mentality differentiate Swiss prosperity from the celebration of wealth in places like Monaco or Dubai. To a certain extent, this is true for social status in general. Instead of celebrating extremes and provoking conflicts, the Swiss negotiate agreements and reach a consensus. In Switzerland, managers and workers collaborate rather than fight each other as representatives of opposing social classes. Strikes are hardly an issue; people throughout organizational hierar-

chies have developed smoother, more discursive ways of aligning social expectations. This is an ideal environment for top managers to learn from the people on the ground floor of their organizations and to recognize that accepting a subordinate’s point of view does not make them lose face.

Switzerland is a peculiar democracy, indeed. Not only do its top politicians travel in crowded buses and trains and teach young journalists to be more critical. Its public service broadcasting company also overtly collaborates with critical researchers only to reveal that their management is overburdened by the public mandate. And, even stranger, the entire organization wants to learn from positive deviants and is thus open to learn from the best on the ground. This is how a paradise of transdisciplinary research looks like. And I am quite sure that it is a key condition for long-term economic success far beyond mountains, cheese, and bank customers’ secrets.

#### Daniel Perrin

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Most recent publication: Perrin, Daniel (2012). Transdisciplinary action research. Bringing together communication and media researchers and practitioners. *Journal of Applied Journalism and Media Studies*, 1(1), 3–23. Free access: [www.danielperrin.net/aims](http://www.danielperrin.net/aims)





# Making Sense of Switzerland

Australian academic Constantino Stavros explores the idea of Swissness as a subjective, changeable concept, intrinsically linked to culture, and compares this to attitudes in his native Australia.

Author: **Constantino Stavros**

Like most Australians my first experience of Switzerland was through the windows of a tour bus. The “chocolate-and-cheese” route back then was more of a short-cut between the heavyweight tourist destinations of France and Italy, but I did see enough of the landscape to forever associate it with the word “spectacular”. I have returned to Switzerland many times since that trip and I even married a Swiss woman. Whilst I admired the beauty and functionality of the country, I never embraced it or allowed it to embrace me. However, to be honest, I’m not sure that a country where handshakes are *de rigueur*, being on time means five minutes early, and addressing people the correct way is a serious business, allows for such metaphorical envelopment to occur anyway. Not that it mattered much to me then. Born in Australia and from Hellenic ancestry, I didn’t lack any sense of community connection. Australia is built on a spirit of “mateship”, where individuals are forged together on beaches, around barbecues, and on the battlefields of sport. My attitude towards Switzerland changed, however, on a Wednesday morning four years ago in a hospital maternity room in Schwyz, not far from where Switzerland itself was born hundreds of years earlier. I stood with a new baby boy in my arms as the rain fell on the mountains outside. Such a moment opens up a little window into the grace and magic of our lives, and as a result, a little bit of “Swissness” crept inside me.

Since then I have been attempting the difficult task of making sense of this land, its people, and Swissness in order to better understand Swiss culture. Swissness is commonly seen as a collection of Swiss characteristics such as precision, high quality, and efficiency. However, I

thoroughly believe that Swissness, and in turn culture, are more complex than meets the eye. I always tell my students that the most complex word in the English language is “culture”. Even if you can adequately define it, you will never truly understand it since it constantly changes. More importantly, it is co-created between the individual and the experience. Therefore, as a result of one’s own cultural background and ideologies, interpretations of definitions such as “culture” and Swissness will vary. Thus, any definition of Swissness is only truly valid to whoever uses the term and at the point in time in which it is used. For me, what Swissness currently is or is not matters less than the more important question of what Switzerland, and in turn Swissness, wants to become, and therefore, what that journey will entail.

In my opinion, Swissness shouldn’t just be a convenient label for a collection of attributes that make up a marketing concept. It has to be a dynamic reflection of individual and collective identity that has space to organically develop. In other words, Swissness has to be a product of the people, not a product for the people. Elsewhere in this magazine you will read about Swissness in a narrower sense, as a brand concept. In simple terms, countries are brands. Therefore the associations that form the tangible and intangible elements of this network are valid, measurable constructs. As fascinating as these elements may be in themselves, it is the communication, processing, and understanding of these variables that remain most significant in my eyes. Over the last few years, it has been through these methods that I have developed a better understanding of the concept of Swissness and its evolution.

Traditional Swiss folk music, or “Laendermusik”, has a special place in the hearts of many Swiss. It is played on Swiss instruments like the alphorn and the Swiss accordion, in addition to the fiddle, the clarinet, and the double bass, and is sometimes accompanied by yodeling. Many Swiss folk musicians are committed to preserving the traditional tunes and formations their listeners know and love. In the urban centers of Switzerland, however, folk music is mixed with jazz and other musical styles, giving it the depth and diversity of world music.

Picture: © KEYSTONE/Alessandro Della Bella



As I began to work my head around the concept of Swissness, I naturally returned to my training as a marketer. When I first experienced Switzerland as a consumer, I focused on the differences between life in Australia and life in Switzerland. This was only natural, given the apparent disparity between the countries in so many respects. It was easy to find differences, but what was more interesting, contextually and culturally, was the number of similarities. Great marketers, like the late Steve Jobs, look for similarities, not differences, when assessing opportunities.

“Rather than rising and falling as those around them do, Australia and Switzerland have developed a belief that success is something that should be self-directed.”

It's a subtle distinction, but the ability to see commonality between cultures allows you to take advantage of psychological and behavioral nuances that build shared meanings and lead to greater understanding.

It was a revelation to realize that Australia and Switzerland are much more alike than different. My broad hypothesis behind this is that, in a way, both countries are islands: Australia literally and Switzerland figuratively. While politicians can and should debate the merits of such a notion, my own interpretation of an island is not one linked to isolationism but one that exemplifies a spirit of self-reliance and the will to succeed, no matter what happens elsewhere. Rather than rising and falling as those around them do, Australia and Switzerland have developed a belief that success is something that should be self-directed. This mentality has brought about similar approaches to business and to life in general. Clichés abound for both countries, but if you spend enough time in each of them you'll see that they are relics that may be cherished but are steadily declining in relevance. More importantly, you will find a determination to sustain the “oasis ideology” that ranks Australian and Swiss living standards so highly across the globe.

Australia's national anthem talks specifically of a land surrounded by sea. This once despised “tyranny of distance” undermined Australia's self-esteem. What has emerged in recent years, however, is a nation that is more aware of itself and its place in the world. Because of its economic links to Asia, business is booming, which has resulted in Australia retaining its reputation as a land of hope and dreams for many across the world. Switzerland has no sea, but its distinction from what surrounds it, particularly in the recent years of economic turbulence, is profound. Like Australia with its island mentality, Switzerland is cautious, protective, and constantly grappling with how much or how little it should integrate itself into the world around it. Thus, it is not surprising that issues of identity should arise in this context. Switzerland seems to have grown in confidence in recent years. More assured about its place in Europe and less concerned about its idiosyncrasies, it, like Australia, sees advantages in being connected

“Like Australia with its island mentality, Switzerland is cautious, protective, and constantly grappling with how much or how little it should integrate itself into the world around it.”

enough to do business efficiently, but detached enough to be distinctive and independent. Like Australia, it also realizes that nothing can be taken for granted. Success requires innovation and a strategy nimble enough to cope with the inevitable change that comes with cultural shifts.

Switzerland and Australia can learn much from each other as their journeys progress. Switzerland can take from Australia's experience the need to guard against the complacency that is often born out of the confident mentality in sustained high-standard-of-living countries. Swiss companies will also need to be wary of the borderless business world, which can't be protected by mountains or seas. Most importantly, Switzerland will have to decide how it wants to be viewed by the rest of the world if it wants a concept of Swissness

that can be applied more widely. Australia has long grappled with the “Aussie” image that was once felt to exemplify the relaxed, can-do spirit of the country. Unfortunately, external marketing slogans can't simply be imposed on a nation. In fact, there is a marked difference between how marketers are trying to portray Australia to the rest of the world and how many Australians view themselves. Thus, by trying to be everything to everyone, we run the risk of being indistinguishable and bland. Our latest marketing claim, “There's nothing like Australia”, demonstrates this beautifully. It could be applied to almost any country in the world.

I think that the elements that make up what we associate with a particular country must be carefully nurtured. The aim should be a suitable and integrated story which grows out of a community as a whole, rather than being created in the boardroom of an advertising agency. It is crucial for the elements to be assembled by the people themselves, rather than by someone else on their behalf who assumes that one size, or concept, fits all. The corporate positioning strategy currently under way at Swiss International Airlines is a recent example of the complexity, but achievability of such a process. The airline, despite being

“The secret to marketing success lies in the art of persuasion, and as anyone who has practiced that craft for long enough knows, the strongest conclusions are the ones people come to themselves.”

owned by Lufthansa, proclaims “Our sign is a promise”, thereby handing over the brand identity (and part of the marketing effort) to the collective perception of the nation and, most importantly, to the traveler. Adroitly, the airline avoids stating what Swissness is, preferring instead to allow the customer, and his or her own understanding of the symbol on the tail of the airplane, to shape the experience.

Ideally, consumers all over the world form their own cognitive associations about Swissness, based upon their individual experiences, needs and aspirations. When

L'Oreal told you “you're worth it” and Nike encouraged you to “just do it”, they left you to decide what “it” actually was. The secret to marketing success lies in the art of persuasion, and as anyone who has practiced that craft for long enough knows, the strongest conclusions are the ones people come to themselves. Swissness should thus remain a personal conglomerate of what the local culture can provide. That way, the concept remains your own reflection and construction, and not something someone else is trying to sell you.

#### Constantino Stavros

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#### RMIT University

RMIT is a global university of technology and design and Australia's largest institution of tertiary education. It has three campuses in Melbourne and two in Vietnam. In addition, it offers programs through partners in Singapore, Hong Kong, mainland China, Malaysia, India, and Europe. RMIT has been a partner university of the ZHAW School of Management and Law since 2010. The student population of 74,000 includes 30,000 international students, of whom more than 17,000 are taught offshore (almost 6,000 at RMIT Vietnam).



# Some Remarks on Swiss Culture and Mentality

A working understanding of Swiss cultural values such as attitudes towards the future, gender equality, or assertiveness can be a useful asset for executives doing business in a Swiss environment.

Author: **Elisabeth Stern**

The latest work by renowned Swiss author and philologist Peter von Matt, “Das Kalb vor der Gotthardpost” (Calf Fleeing from the Gotthard Mail Coach), deals, among other things, with the Swiss soul being under attack from all sides. This idea inspired me to take a closer look at the GLOBE Study. Like von Matt’s book, this worldwide collection of data, which includes Switzerland, sheds an intriguing light on the concept of Swissness as a cultural phenomenon. It deals with various cultural dimensions and the underlying cultural values they represent. In the following, I will outline some of the aspects of Swiss mentality that emerged from the GLOBE Study and its implications for the way leadership is understood in Switzerland.

## The GLOBE Study

The GLOBE (Global Leadership and Organizational Behavior Effectiveness) Research Program comprises the work of some 170 scholars who investigated the cross-cultural forces relevant to effective leadership and organizational practices in 62 countries, including Switzerland. It was conceived in 1991 by Robert J. House of the Wharton School of Business at the University of Pennsylvania.

In 2004, its first comprehensive volume on “Culture, Leadership, and Organizations: The GLOBE Study of 62 Societies” was published, which is based on a survey of 17,300 middle managers from 951 organizations in the food processing, financial services, and telecommunication services industries. A second volume, “Culture and

Leadership across the World: The GLOBE Book of In-Depth Studies of 25 Societies” appeared in early 2007. Various cultural dimensions were investigated, including the should-be value, i.e. the value placed on how participants would like it to be, as compared to the as-is value.

## Findings on Switzerland’s Societal Culture

**Future Orientation** measures the degree to which a society encourages future-oriented behavior. In this category, the Swiss achieved an as-is score which put them in second place among all the countries participating in the study; their should-be value was almost the same. The high level of economic development, the educational standard (including delayed material gratification), the religious roots of a partly Calvinist society (i.e. hard work and little fun in the present), as well as the high savings rate are offered by the researchers as explanations why Switzerland ranks so highly.

**Uncertainty Avoidance** measures the degree to which a society strives to avoid uncertainty by norms, rules, rituals, and bureaucratic practices. Switzerland is the country with the highest as-is value and the lowest should-be value, which seems strange. What is also puzzling is the fact that, on the one hand, we have high Future Orientation, and, on the other hand, also high Uncertainty Avoidance.

However, these results point exactly to what Peter von Matt says about the Swiss in his interpretation of the famous painting by Rudolf Koller, The Gotthard Mail Coach. Von Matt points out the simultaneousness of the different speeds in Koller’s painting: the coach with the five horses racing down the mountain, the calf in front of it in bewildered flight, and the motionless herd of cows as onlookers. His interpretation of the painting leads von Matt to the heart of his thesis on Swiss mentality as a combination of conservatism and a belief in progress, Janus-like, i.e. looking forward and backward at the same time. According to von Matt, Switzerland has been preoccupied with either retreating or advancing since the very beginning and it is this dialectic which has formed Swiss mentality.

**Power Distance** measures the degree to which a society expects and agrees that power should be shared and distributed. In the study, the Swiss respondents expressed the view that their society has quite a high level of Power Distance and that it needs much less. Because democracy, freedom, and self-determination have been seen as basic and stable cornerstones of the Swiss national consciousness for centuries, it is not surprising that Power Distance achieved a low grade on the should-be scale. The best-known Swiss myths and legends feature as protagonists individuals (like William Tell) or groups who successfully resist authority and the abuse of power.

**Gender Egalitarianism** measures the degree to which a society minimizes the gender gap. The study’s respondents acknowledged the existence of a high level of emphasis on the male role, but stated that they would like to see more gender equality. Indeed, Switzerland still has a long way to go in this respect and urgently requires a more equitable, creative, and innovative outlook on gender issues.

**Humane Orientation** measures the degree to which a society encourages individuals to be humane and rewards them for being fair, caring, and compassionate. Here, the as-is score for Switzerland is in the lowest quartile of GLOBE countries. The should-be value for Humane Orientation is significantly higher. In their report, the researchers speculate about this discrepancy between the as-is and the should-be scores. One explanation given is Switzer-

land’s high score on Performance Orientation, a characteristic which could be seen to be in contrast to Humane Orientation. In addition, the quality of the Swiss public welfare system may lead people to think that the responsibility for social problems can be passed on to one of the many public institutions. However, the result could also indicate a great awareness of humane issues and a sense of frustration that this high ideal can never be reached.



Picture: © Kunsthau Zürich

The latest book by renowned Swiss author and philologist Peter von Matt, was inspired by Rudolf Koller’s famous painting, The Gotthard Mail Coach (1873).

Painting: Rudolf Koller (1828–1905), Die Gotthardpost, 1873



**In-group Collectivism** measures the degree to which individuals express their loyalty and a sense of belonging to their organization or team. **Institutional Collectivism** refers to the extent of institutional practices that encourage and reward collective action and the distribution of resources. As the GLOBE results show, Swiss people feel comfortable being integrated within groups of manageable size, yet they want to keep their individual identity within the collective.

**Performance Orientation** measures the degree to which a society encourages and rewards performance improvement and excellence. As has been mentioned already, a strong work ethic is valued highly in Swiss society and it is therefore not surprising that in this category, Switzerland is the winner among all the GLOBE countries. The researchers consider this to be the result of Switzerland's particular history. Until the beginning of the last century, Switzerland was fighting a losing battle against poverty. As a mountainous country with few natural resources, Switzerland needed its people to work hard and make a special effort. In the GLOBE study, the respondents mentioned Swiss efficiency, as well as order and security.

What is interesting is that almost half of the Swiss interviewees stated that they wished work was a less important part of their lives. However, when given the chance to increase their annual vacation time to six weeks in a national-wide referendum this spring, voters decided against it by a high majority. Considering Switzerland's second place in the category Future Orientation, this voting result makes sense. The fear of an additional economic burden for Swiss companies (99 percent of all Swiss work for SMEs) in the present context of general economic uncertainties and the presently very strong Swiss franc, led people to choose a conservative path. They put the collective good above their own immediate benefit (Collectivism) while, at the same time, refusing to take the risk of potentially upsetting the status quo (Uncertainty Avoidance). Instead, they favored a more long-term, sustainable perspective (Future Orientation).

**Assertiveness** measures the degree to which individuals are allowed to be dominant, aggressive, and confrontational in social relationships. Swiss people favor non-dominant behavior, harmony, and consensus. They quickly perceive others as being aggressive. The need to build bridges and avoid conflict is omnipresent in Swiss society and can slow down decision-making processes.

### Implications for Leadership and Business Interactions

Some of these cultural dimensions, which represent underlying cultural values, have implications for the way leadership is understood in Switzerland. According to Weibler and Wunderer, two of the authors of the GLOBE Study, hierarchy as a concept of control is recognized and accepted, as long as those in power exert their authority over others humanely, and neither abuse it nor demand excessive levels of deference. Good leaders must have both a sense of modesty and the ability to achieve consent. A close link between the leader and the led is preferred, where leaders set the goals and take the decisions, which are accepted by the team members. Harmony and the consensus are valued. An alpha leadership goes against the general understanding of direct democracy. For those wanting to work or do business successfully in Switzerland, it might be of advantage to take some of these cultural findings into the equation.

#### Elisabeth J. Stern

Elisabeth J. Stern holds a PhD in Cultural Anthropology from the University of California. After spending several years in the U.S. and Zimbabwe, she has specialized in the field of Intercultural Learning. She is also a lecturer in Intercultural Competence at the University of St. Gallen.



The Pestalozzi Children's Foundation is a Swiss non-profit children's charity operating in twelve countries worldwide and committed to giving children and adolescents access to a high-quality education. It promotes peaceful intercultural cohabitation by building competences and fostering the rights of children and adolescents. The Children's Village in Trogen, Switzerland, is the heart of the Foundation. This little girl joined 200 other children and adolescents from 20 nations in an intercultural exchange featuring games and sports activities.

Picture: © Kinderdorf Trogen



# Why Switzerland is so Attractive for Insurers

Since the days when a fire could consume a whole town, the Swiss have developed a strong risk-management culture based on deep-rooted risk awareness.

Author: **Simon Woodward**

Is risk awareness a Swiss trait? It may well be. The country spends more on insurance than any other. Both domestic and international insurance and reinsurance businesses are key pillars of the economy. The country is home to a number of higher educational and international organizations focused on risk management, and even the federal government works towards a principle of integral risk management.

If you really do put your money where your mouth is, then the Swiss are certainly sensitive to risk. The average Swiss citizen spent USD 6,634 on insurance in 2010. Per capita, it is the largest figure in the world. It was around 50 percent larger than in Japan, and around 75 percent larger than the spending on insurance per head in the US. The premium volume of insurance in Switzerland was USD 57 billion, with almost 9 percent of GDP accounted for by insurance premiums.<sup>1</sup> Those figures may be impressive enough, but they only account for insurance spending in Switzerland. Switzerland is a major international insurance player. Swiss companies earned almost twice that amount again – USD 105 billion – from insurance services sold abroad. That makes insurance business a major employer in Switzerland. Around 50,000 people work in the sector in Switzerland, and Swiss insurers employ a further 74,000 outside the country. Moreover, the insurance sector attracts a number of interlinked businesses, such as brokers, financial advisors, and legal representatives. Zurich Financial Services, the fourth largest insurer in Europe, is Swiss. When it comes to insurance, Switzerland punches well above its weight.

<sup>1</sup> All figures taken from Schweizerischer Versicherungsverband "Zahlen und Fakten 2012" (see [www.svv.ch/de/zahlen-und-fakten](http://www.svv.ch/de/zahlen-und-fakten))

## Historical Roots

The first recorded insurance contracts in Switzerland were for fire damage and were issued in Aargau in 1806. Other cantons and cities in Switzerland followed Aargau's example. A defining moment in the evolution of the industry came in 1861: A fire in the cantonal capital of Glarus destroyed over two thirds of the town, with huge losses. Existing Swiss insurers were almost wiped out by the tragedy, while entrepreneurs recognized the lack of sufficient insurance provision. Much like the great fire of Hamburg in 1842, which was a catalyst for the growth of the German insurance industry, this tragedy led to the founding of Swiss insurers Helvetia and Bâloise, as well as the country's first reinsurer, Swiss Re.

There were other events that indirectly benefited the Swiss insurance industry. Orson Welles in the movie "The Third Man" was woefully inaccurate when he described Switzerland as having 500 years of brotherly love and democracy. There was civil war – albeit brief and relatively bloodless – in 1847. In the decades thereafter, Switzerland, by any measure the most heterogeneous and decentralized state in Europe, developed a series of political and legal conflict resolution mechanisms. These measures provided stability, reform, and the basis for economic growth in what was a poor country with few natural resources. The growth of railways, engineering, textiles, and banking also saw the foundation of the Zurich (1872) and Winterthur (1875) insurance companies, to provide cover for growing industrial centers.

## External View

Large states in Europe have historically sought to determine their own destiny. Small states are more humble. They recognize the need to adapt and be flexible in the



A defining moment in the evolution of the industry came in 1861: A fire in the cantonal capital of Glarus destroyed over two thirds of the town, with huge losses.

face of changing external conditions. This is particularly the case with Switzerland. Any external alliance with a major European state could easily open unbridgeable divisions along political, linguistic, or cultural lines. Despite great pressures, Switzerland remained neutral through two world wars. This need for neutrality and subsequent stability made it a desirable location for many international organizations. It also became an attractive country for international financiers.

Swiss insurers have benefited from this environment. And, with only a limited domestic market, they understood from their earliest days that they needed to expand abroad to realize growth aspirations. Helvetia (1862), Bâloise (1864), and Swiss Life (1866) all opened offices in Germany within a few years of being founded in Switzerland. All spread around Europe shortly thereafter,

some moving even further afield: Zurich Financial Services opened its New York office for business in 1912.

## Zurich: Reinsurance Center

One area of insurance which, in the private sector at least, has a business model that explicitly requires international engagement is reinsurance. Reinsurance is business-to-business insurance, providing cover for insurers. It allows for the pooling of risk between different lines of business and different geographical areas.

The Glarus fire of 1861 highlighted the problems of insurers sustaining concentrated losses that could threaten their existence. Swiss Re was founded in 1863 to help provide the benefits of diversification to insurers. Swiss Re has subsequently grown to become the second largest global reinsurer by written premium.



The growth of specialized reinsurance knowledge in Switzerland, particularly around the Zurich area, combined with a favorable business climate, has seen the country become a global center of reinsurance. The names may not be familiar, operating as they do in the wholesale sector, but Scor, Ace, Arch, Partner Re, XL, New Re, and Glacier Re are among the reinsurers with significant operations around Zurich.

### Risk Management of the Future

The importance of banking and insurance to Switzerland is underlined by the infrastructure that is growing to support the financial sector. Higher education is one example. Switzerland hosts world-leading business schools, including the International Institute of Management Development (IMD, [www.imd.org](http://www.imd.org)). Specialist academic departments have been established to synchronize research with local risk management business needs. Among these are the Institute of Insurance Economics ([www.insurance-institute.ch](http://www.insurance-institute.ch)) in St. Gallen as well as the Risk Lab Switzerland ([www.risklab.ch](http://www.risklab.ch)) and the Risk Center ([www.riskcenter.ethz.ch](http://www.riskcenter.ethz.ch)), both at the Federal Institute of Technology in Zurich, and the Center for Risk and Insurance at the ZHAW School of Management and Law ([www.sml.zhaw.ch](http://www.sml.zhaw.ch)). The Graduate Institute in Geneva is one of the world's foremost centers in international relations and political risk.

Risk is a subject addressed by international research and networking organizations in Switzerland. The International Risk Governance Council ([www.irgc.org](http://www.irgc.org)), based in Geneva, seeks to bridge the gaps between science, technological development, policy-makers, and the public in the field of risk and risk governance. The World Economic Forum (WEF, [www.weforum.org](http://www.weforum.org)), also located in Geneva, has over many years produced the Global Risk Report, based on surveys of leading business people and academics. The Report has been published in conjunction with the WEF Annual Meeting in Davos.

This risk awareness travels all the way up to government, where the Federal Office for Civil Protection ([www.be-](http://www.be-voelkerungsschutz.admin.ch)

[voelkerungsschutz.admin.ch](http://www.be-voelkerungsschutz.admin.ch)) undertakes country risk management for Switzerland. The Office was created in 2003, with currently around 300 staff managing federal initiatives and supporting civil protection at cantonal level. The Office is managed along the principle of integral risk management, which is understood to mean the systematic identification, assessment, and prioritization of hazards and the associated risks, as well as management of measures for risk mitigation.

The foundations of risk awareness lie deep in Switzerland. The insurance culture is old, engrained and penetrates deeply into the economy and society. It has made Switzerland an attractive business place not only for domestic insurers but international insurers and reinsurers, as well. The country has several educational and research centers of excellence in the field of risk management. This culture has, in turn, attracted considerable international attention, making Switzerland one of the global focal points of risk management thinking. As the world becomes more globalized, and risks become increasingly interconnected, Switzerland is well-positioned as one of the most progressive states in risk management.

#### Simon Woodward

Simon Woodward works as a Marketing Communications Editor in the Swiss Re Centre for Global Dialogue in Zurich.



The landmark of the Swiss city of Lucerne is the Chapel Bridge. It was constructed in 1365 as a battlement and, at nearly 205 meters, it is Europe's oldest covered wooden footbridge. Even after many of its interior paintings were destroyed in a fire in 1993, it remains one of Switzerland's most popular tourist attractions.

Picture: Shutterstock





# Swiss Values and the SWISS Brand Profile

Quality-mindedness, reliability, hospitality and attentiveness: All these typically Swiss attributes are also key success factors in the Swiss International Air Lines brand. Indeed, they are what helps us differentiate “SWISS” from the brands of our competitors.

Author: **Markus Binkert**

It was back in mid-2011 that Swiss International Air Lines decided to sharpen its brand profile. In doing so, SWISS wanted to position itself even more clearly as “The Airline of Switzerland”, with a clear set of values, a new corporate look, a new ad campaign and claim: “Our sign is a promise”. The re-profiling campaign was actually the culmination of some two years of preparatory work. Since the collapse of former national carrier Swissair in 2001, the SWISS story had been marked by a difficult start-up phase followed by an extensive corporate turnaround. In this period the company had to pursue other business priorities if it was to ensure its sustainable success, so branding issues had to be temporarily set aside. From 2009 onwards, however, greater attention gradually came to be paid to the issue of SWISS’s brand positioning. As a stable and profitable company with a newly-won corporate confidence, the post-turnaround SWISS needed to ensure that its brand not only remained consistent but was also given an even clearer profile and thrust. As a Swiss-based airline, it was only natural for SWISS to turn to Switzerland’s classic values, in particular: a keen commitment to quality, precision, reliability, authenticity, hospitality, and customer focus, along with a strong personal flair. Fortunately for SWISS, many of these attributes are crucial to any airline’s success. And the fact that they are so typically Swiss lends added depth and credibility to SWISS’s pronounced commitment to superior personal service and the highest quality standards.

## Standing out Through the Brand

Being a fully-liberalized industry, the airline sector is one in which branding has become more important than ever.

That importance will continue to rise. As rival products become increasingly difficult to distinguish, it has never been more vital to stand out from one’s competitors. With many of the products being largely interchangeable, customers are coming to rely more and more on their perceptions of the brands, rather than on the products themselves. As a result, the brand has become a key criterion in the customer’s purchasing decision. SWISS must also stand out from its competitors in its fiercely-contested market because air services, too, have become increasingly interchangeable. Flying has been transformed from the privilege of the few to an affordable commodity; the flight product itself is now offered with similar types of aircraft, similar seats, similar catering and similar inflight entertainment. At the same time, a further classic means of product differentiation – the personal assistance and advice offered to customers when they purchase their ticket – is being increasingly superseded by the convenience of today’s online technologies.

## Service Brands with Clear and Consistent Values

A strong brand will typically convey a strong message, i.e. a message that embodies clear and consistent values. For a service-sector company like SWISS, however, such consistency is far from easy to maintain, because the processes involved in providing the SWISS service product will never remain the same. SWISS’s services are the result of an infinite number of individual actions by more than 7,500 personnel, who are dealing with over 30,000 customers a day at various kinds of contact points in all parts of the world. In addition to its obvious product and

The news that all Swissair aircraft were forced to stay on the ground on 2 October 2001 due to the airline’s liquidity problems came as an enormous shock to the whole nation and took years to digest. Today, Swiss International Air Lines (SWISS) again serves 70 destinations in 37 countries all over the world with a fleet of 90 aircraft – as a member of the Lufthansa Group and Star Alliance.

Picture: © SWISS





Picture: SWISS

It is often the small gestures that can make a big difference to the customer’s perception of their service experience.

service features – like maintaining swift and customer-friendly booking processes and check-in procedures, or providing appealing aircraft cabins and airport lounges – it is through its personnel, in particular, that SWISS conveys its message. At every step of their trip, customers are provided with a consistent experience of the SWISS brand, and thus of its values. And SWISS ensures this, above all, through its people’s mind-set.

For a shared awareness and appreciation of what SWISS is and stands for, the company has formulated three simple principles which have long been cornerstones of the

SWISS corporate culture: “We are the airline of Switzerland”, “We stand for highest product and service quality” and “Thanks to our manageable size we are closer to our customers”. Every one of these principles has something that is essentially Swiss in nature. And combined with the company’s authenticity and a healthy blend of modesty and confidence, they make for a typically Swiss attitude that runs through everything SWISS employees do on their customers’ behalf. What SWISS is now striving to do is bring this attitude across even more clearly, and thereby further raise and sharpen the SWISS brand profile.

Individuality and Customer Alignment

SWISS has devised a set of clear guidelines which its employees should adhere to in all their customer interactions. One particular emphasis here is on addressing each customer’s individual wishes and needs. After all, individualized service is not only an expression of the esteem in which each customer is held, it is also a further key element of Swiss culture. It is often the small gestures that can make a big difference to the customer’s perception of their service experience. At SWISS we keep ourselves aligned to our customers by ensuring that we know a little

“After all, individualized service is not only an expression of the esteem in which each customer is held; it is also a further key element of Swiss culture.”

bit more about our loyal customers’ preferences and addressing these accordingly. That may, for example, mean serving a frequent flyer travelling in SWISS Economy their tea with the usual two slices of lemon, because the maître de cabine knows that this is their favorite drink. It is the same approach that has us present every passenger with a Swiss chocolate at the end of every flight – a gesture that makes SWISS unique, and one that brings Switzerland that little bit closer to our inflight guests. Some other examples are our text message facility in the event of a flight irregularity, our meet & greet service which not only meets the frequent traveler but collects their baggage as well, and presenting guests on board with their favorite newspaper or magazine: These are all invaluable expressions of a truly Swiss service culture.

The Visual Dimension

Needless to say, visual considerations have also played a key role in sharpening our SWISS brand profile. For our advertising campaigns, for instance, we have created a new visual concept that puts our aircraft and their Swiss-cross tailfins center stage. The image presented is typically Swiss, too: neat, simple, aesthetic, high-grade, and shot from a unique perspective. We have also spent a lot of

time refining the most compressed form of our brand identity: our logo. Our previous logo, the red SWISS cube, was aesthetically pleasing, but it had its practical limitations, such as not enabling people to recognize SWISS clearly as “The Airline of Switzerland”. To remedy this we resolved to reduce our logo to two essential elements: the tailfin, combined with our name. The new logo makes SWISS instantly identifiable, even from a distance, as Switzerland’s airline. And thus, the visual elements play their part in conveying to the customer what the SWISS brand is all about. And our new claim – “Our sign is a promise” – is both an undertaking to the outside world and a commitment to ourselves. It neatly encapsulates our confidence both in the Swiss values that underline our product and in our ability to deliver them.

Markus Binkert

Markus Binkert, Head of Marketing of Swiss International Air Lines Ltd., has been with the company since 2005. He holds an MBA from Kellogg (Northwestern University, Chicago) and a Bachelor’s degree in hotel management from Ecole Hôtelière de Lausanne. Before joining SWISS, Markus Binkert worked as a project manager for business consultants Bain & Co. and had various management functions in top hotels world-wide.





# A Strong Lobby for U.S.-Swiss Relations

For many decades the U.S. has been one of Switzerland's key trading partners. In the face of recent media reports claiming that U.S.-Swiss relations are on the rocks, the Swiss-American Chamber of Commerce (AMCHAM) under CEO Martin Naville plays a significant role in keeping things in perspective.

Interview: **Regine Wieder**

[Why is the United States such an important ally for Switzerland's economy – and vice versa?](#)

**Martin Naville:** With a market share of 10 percent the U.S. is, after Germany, Switzerland's second most important export partner. Last year, our exports to the U.S. increased by another 2.6 percent, which is a particularly positive result given the weak economy and the strong Swiss franc. Conversely, U.S. exports to Switzerland amount to 0.8 percent of U.S. overall exports, which is disproportionately high, considering Switzerland's geographical size. This makes Switzerland the 16th largest export market for U.S. goods. Further, at approximately 40 percent the U.S. is the biggest direct investments market for Swiss firms, while at over 45 percent U.S. firms are the most important direct investors in Switzerland. Many multinationals in Switzerland produce a large proportion of their goods and services for the U.S. market, especially in the insurance, pharmaceutical, food, and precision instruments sectors. Of course, the banking and finance industry also used to be very successful in the States. Currently, both countries are trying to rebuild their relationship and put it on more solid ground. It can be said that Switzerland earns every other franc abroad, 75 percent of this in the E.U. and the U.S. In view of the fact that Switzerland wants to become more independent of the E.U., its trade relations with the U.S. provide a useful counterbalance and are therefore extremely important.

[What do our two countries have in common, and what are our differences?](#)

**Martin Naville:** Both nations are federal systems with a clear separation between legislative and executive branches. The citizens of both the U.S. and Switzerland enjoy

direct democratic rights; in 36 U.S. states voters have the right to propose new legislation. In addition, both countries have an effective and reliable legal system. Just like the Swiss, the Americans value personal freedom and the rights of the individual. But despite all these similarities, there are also considerable differences, for example in business practices, in the recognition and enforcement of legal decisions, and in policy and social issues. Additionally, even if they have an excellent command of English, Swiss people are often surprised that they don't understand what Americans really mean.

[The Swiss-American Chamber of Commerce \(AMCHAM\) promotes and facilitates better business relations between the U.S. and Switzerland. What are its main activities?](#)

**Martin Naville:** The Swiss-American Chamber of Commerce has two major functions: First, it addresses all problems impeding the free movement of goods, services, individuals, and investments between Switzerland and the U.S. Second, it supports business activities of multinational corporations in Switzerland (Swiss and foreign companies, large and small). At present, AMCHAM seeks to address the problems that have arisen between Switzerland and both the U.S. and the E.U. in the wake of the UBS affair regarding banking secrecy and tax compliance. Another key issue is FATCA (the Foreign Account Tax Compliance Act), a new piece of U.S. legislation to ensure that U.S. citizens pay taxes on any income they have generated overseas. The U.S. government wants to use FATCA to force all foreign financial institutions to disclose information to the Inland Revenue Service (IRS) about accounts held by U.S. citizens.



Martin Naville: "It can be said that Switzerland earns every other franc abroad, 75 percent of this in the E.U. and the U.S. In view of the fact that Switzerland wants to become more independent of the E.U., its trade relations with the U.S. provide a useful counterbalance and are therefore extremely important."

We are also looking into the controversy with the E.U. concerning tax advantages granted to some foreign corporations in Switzerland. The E.U. takes issue with the fact that some Swiss cantons offer very low corporate tax rates to foreign holding companies, lower, in fact, than to Swiss companies. This entices foreign companies to move their headquarters to Switzerland (or to appear to do so), which enables them to transfer to Switzerland tax-

able income generated in other countries. Finally, we are also lobbying for an extension of the Visa Waiver Program (VWP) with the U.S. In an effort to increase national security, the U.S. requires all VWP countries to sign two security agreements. Of the 36 program countries, 30 have signed the agreements, with five of them negotiations are still ongoing, and Switzerland has only just started talks with the U.S. regarding this issue. If no serious progress



is made by the end of June 2012, Swiss citizens may again need a visa to enter the United States from 1 January 2013. In order to achieve these various objectives, AMCHAM's work consists of raising awareness among important stakeholders, bringing them closer together on certain topics, and conducting effective lobbying on specific issues.

[What are some of the achievements the Swiss-American Chamber of Commerce is proud of?](#)

**Martin Naville:** We are successful when the AMCHAM can make an active contribution to a healthy development of our bilateral business relationship. Actually, this relationship is healthy and thriving, in spite of recent tax compliance issues. We have also been successful in injecting a much-needed fact base into the political discussion with some key "facts and figures". And, finally, we feel gratified by the large number of top personalities from the business sector ready to support the AMCHAM and help in our efforts.

[What can Switzerland learn from the U.S. and vice versa?](#)

**Martin Naville:** It is difficult to make such comparisons because the two countries are so different. In general, Switzerland is a good role model for how a federal state with a division of legislative and executive responsibilities can manage public funds and reduce debt. Switzerland has some great ideas with regard to health care, sustainability, education, and public transportation, which the U.S. could profit from. On the other hand, the U.S. can serve as an example regarding efficient deployment of resources and the speed of certain processes. In addition, Switzerland could do with some of that American business mindset; Americans are much more ready to abandon traditional ways of thinking. They are more flexible and prepared to move forward, and they are also much more ready to accept mistakes and to take risks. Swiss business and political leaders should learn to overcome their fear of failure and seize the opportunities that present themselves, as this could have a very positive effect on the Swiss economy.

[In Switzerland, U.S.-Swiss relations are perceived as having been damaged by the taxation issue. How do the Americans see this?](#)

**Martin Naville:** The U.S. used to be a tax haven themselves for a long time, so they can't really point the finger at former Swiss practices, and they don't. At the moment, the U.S. is merely interested in getting hold of their tax evaders – on a global scale. Many Swiss believe that the U.S. wants to harm Switzerland as a financial center. However, as long as Switzerland doesn't actively protect U.S. tax evaders who are hiding from the law, there is no problem.

[How does the exchange rate problem affect trade between Switzerland and the U.S.? What are your views on the decision by the Swiss National Bank to set a 1.20 floor on the EUR/CHF exchange rate?](#)

**Martin Naville:** The strong Swiss franc has of course had a negative effect on exports. In such a situation, natural hedging is the best policy, i.e. an attempt to generate costs and turnover in the same currency wherever possible, in order to reduce the risk of exchange losses. Companies with seat in Switzerland are thus generating more costs in the dollar zone and fewer in Switzerland; this results in more purchases and more jobs in the States, to the detriment of the Swiss economy. The speed with which the Swiss franc has risen compared with other currencies was a problem. Adjustments like natural hedging lagged behind. The SNB measure of setting a floor of CHF 1.20 on the euro last September, and thus to weaken the Swiss franc, was a valuable move, since it allows businesses the security to make plans and gives the economy time to make adjustments.

[What makes Switzerland so attractive for U.S. corporations?](#)

**Martin Naville:** Switzerland is an ideal business location with excellent conditions: Above all, there is Switzerland's political stability. There are no impromptu reelections or sudden parliamentary reshuffles. Thus, companies can plan ahead in developing their business activities. Next, there are the typically Swiss traits such as high quality,

precision, and reliability. There is a well-developed infrastructure and a generally high work ethic. Another key factor is the Swiss education system; we have several excellent universities in Switzerland. In fact, two of our technical universities, the Federal Institute of Technology (ETH) in Zurich and the École Polytechnique Fédérale de Lausanne (EPFL), are ranked among the best in the world. Corporations like Google and the new Nanotechnology Center in Rüschlikon near Zurich would not be here if it wasn't for the ETH. I'd also like to mention the "dual system" of combining academic education and vocational training at secondary level, enabling students to obtain a vocational maturity certificate and thus gain admission to a university of applied sciences, which is an extraordinary career opportunity. Finally, there is Switzerland's international environment. Many major successful Swiss companies, such as Swisscom, Swiss Re, Credit Suisse, or Swiss International Air Lines, are run by foreign CEOs. Other factors that weigh heavily in Switzerland's favor include its climate of personal safety, a high standard of living, and relatively low personal tax rates.

[What are some of the drawbacks?](#)

**Martin Naville:** Drawbacks include high costs and fiscal insecurities, e.g., as a result of current discussion with the U.S. and the E.U. concerning taxation issues, as well as the overvalued Swiss franc.

[Are the positive and negative aspects of Switzerland perceived as such in other countries, or is the image abroad a different one?](#)

**Martin Naville:** Switzerland overestimates its own significance in the global context. Outside Europe, it barely registers in people's minds, except perhaps in clichés. In particular the Swiss political system is hardly understood abroad. More information about Switzerland should be made available to other countries. Countries like South Korea or Israel spend hundreds of millions every year for international lobbying activities. However, a similar strategy might not work in Switzerland due to its federalist structures; it might also clash with Swiss mentality.

[In your opinion, how should Switzerland currently position itself in terms of foreign economic policy?](#)

**Martin Naville:** It is important for Switzerland to find its place vis-à-vis the U.S., the E.U., and the rest of the world, for it is the only OECD country which isn't part of a larger conglomerate. In the long term, Switzerland must succeed in entering the South-American and Asian markets. In particular, it will be essential to finalize a free-trade agreement with China and Japan in the not-too-distant future.

#### Martin Naville

Martin Naville has been the CEO of the Swiss-American Chamber of Commerce since 2004. Prior to this, he spent 16 years with The Boston Consulting Group in Munich, Zurich, and New York, since 1995 as a Partner and Director. He holds a Master of Law from the University of Zurich. He is Chairman of the Board of the Zurich Zoo and a member of the Board of Directors of Lombard International, the leading Luxembourg life insurance company, and of online trading company Swissquote.



# Switzerland's Success Factors

Switzerland's affluence, infrastructure, and technology are the envy of many other nations. But despite respected multinational companies, high quality public services, and a well-regarded educational and training system, this small country also has some challenges to address.

Author: **Haig Simonian**

As recently as in the closing months of last year, pessimistic voices were predicting a dire 2012 for Switzerland, as the economy dived into recession because of the soaring currency, weakening exports, and severe financial problems among many top trading partners. In reality, matters have turned out to be much better – or at least significantly less bad – than feared. Economic crystal-ball gazing is always risky. However, based on the latest data, the signs are that growth this year, while hardly riveting, will be distinctly better than expected. The reasons are external and internal. Exports have proved much more resilient than feared, in spite of the mighty Swiss franc. While some sectors, notably machine tools and paper and packaging, are evidently suffering, others, particularly pharmaceuticals and above all watches, have outstripped all expectations.

Meanwhile, domestic consumption has remained robust, helped by generally strong corporate earnings feeding through into pay packets and low unemployment. There has been continuing investment both by companies and in residential construction. The admirable state of public finances, especially compared to those of many neighboring countries, has also played a part in boosting confidence. Last year, the public sector recorded a CHF 1.4 billion surplus; this year, the outlook remains positive, even if more modestly so.

## Surprising Resilience

Such resilience comes in spite of some weaknesses, notably Switzerland's lack of raw materials, small home market, and diverse culture and topography. By contrast, entrepreneurship, innovation, and technology have all shown their worth, even if many exporters are happy to

have 2011 behind them and not exactly overjoyed about 2012. But entrepreneurship, an outward-looking mentality and an emphasis on hi-tech precision products are rooted in deeper cultural and educational factors. Most of the qualities cited regularly in international comparisons of competitiveness or of urban qualities of life, that help place Switzerland at or near the top, are familiar. Political and economic stability, high-quality infrastructure, and deep social consensus are backbones of a successful economy. In addition, good quality public services, decent schools and hospitals, and a keen environmental awareness play a part. And politically, Switzerland's competitiveness has been aided by its flexible labor market, low taxation, and a skilled and well-educated workforce.

## Education a Prime Asset

The importance of education is sometimes underplayed in such studies, where the emphasis is instead often placed on more obvious factors such as relatively low personal or company taxation. Primary, secondary, and especially tertiary education – although periodically criticized in Switzerland – are of high quality by international standards. Swiss universities, led by world class names such as the Federal Institute of Technology (ETH), but encompassing many more, offer top teaching and refreshingly international outlooks. Their stature is often enhanced by multinational, multilingual faculties and by courses that are almost as regularly held in English as in one of the national languages.

## Training is Every Bit as Important

Vocational training is arguably as important. Like Germany, Switzerland operates a dual system where technical skills



Picture: Beat Märki

Swiss universities, led by world class names such as the Federal Institute of Technology (ETH), but encompassing many more, offer top teaching and refreshingly international outlooks. Their stature is often enhanced by multinational, multilingual faculties and courses that are almost as regularly held in English as in one of the national languages.

are instilled early through apprenticeships that combine learning on the job with more academic study. While Switzerland's focus may, as it is in many other countries, be shifting its focus to university degrees, the value of technical training through apprenticeships remains a major plus in providing a skilled and flexible workforce. The fact that qualified tradespeople have a high standing in Swiss society is an extra boon.

Close links between business and education, from technical college to post-doctoral research, help create this mesh. As in neighboring Germany or northern Italy, Switzerland's dense network of small and medium-sized Mittelstand companies plays an important part in the local economy.

Often family-owned, unmoved by stock market quotations and the need to maintain rising quarterly dividends, company owners look to the long term, stressing investment over immediate profit. And, on the whole with strong balance sheets, they can continue unworried by short-term financing considerations or fears about bank credit.

## Serious Challenges Ahead

But it would be naive to say all is perfect or that Switzerland does not face significant challenges. Foremost is the strong Swiss franc. Last September's decision by the Swiss National Bank to set a CHF 1.20 floor for the euro, though controversial, has proved wise – and significantly less costly than feared. Even if the Swiss franc



remains overvalued for many exporters, the floor has given businesses some certainty for budgeting. The high Swiss franc may even have some advantages. An overvalued currency forces exporters to be acutely cost-conscious. It also keeps a lid on inflation – particularly important in a country that has to buy in so much of its raw materials. Rather than worrying about rising prices, SNB executives are more concerned about deflation right now. Having said that, even after the SNB's move the overvalued currency is taking its toll. The impact is showing slowly, through deferred investments or, in extreme cases, companies' decisions to locate new spending, once planned for Switzerland, elsewhere.

### A Need for Talent

Skills and demographics are two other key concerns. Switzerland's educational and vocational training systems may deserve praise, but some skill shortages remain. The prime reason is the relatively small domestic population and, in the most blatant cases like medicine, a deliberate government policy to restrict training in the past. The answer, of course, has been immigration, evident as much in the number of German doctors in Swiss hospitals and private practices as the presence of other foreigners on the factory floor. Immigration remains a hot potato politically. Most economists agree opening the labor market to citizens from European Union countries from 2002 onwards provided a double philip to the economy, addressing labor shortages and boosting consumption through the arrival of well-paid outsiders. But for some politicians, notably from the ultra-conservative Swiss People's party (SVP), the door has already been opened too wide. Although many sectors of industry are still crying out for skilled labor, some parliamentarians are arguing for the re-imposition of quotas on arrivals from the EU, let alone tougher curbs on those from further afield.

Demography is a separate, but linked, issue. Unlike neighboring Germany and Italy, Switzerland's population is growing – thanks largely to immigration. However, long-term funding of social services, notably invalidity and pension schemes, remains a problem that still has to be

addressed adequately. Finally, there is taxation. Switzerland's direct democracy and devolution of decision-making to the lowest level are widely viewed as key success factors in social stability and competitiveness. On the other hand, Switzerland's political system is not well understood among its neighbors, and, in certain cases, is seen as posing potentially unfair competition. Bern is still locked in talks with the European Union over certain aspects of cantonal corporate taxation, notably regarding foreign holding companies. The fact that such discussions have temporarily left the headlines does not mean they have been resolved or gone away for good. Switzerland has every reason to be proud of its record. At the same time, however, the country must remain aware of sensitive issues and address challenges before they can be turned into populist issues.

#### Haig Simonian

Haig Simonian is the Financial Times correspondent for Switzerland and Austria. After obtaining a master's degree in Philosophy, Politics and Economics as well as a PhD in French and German politics from Oxford University, he went briefly into investment banking before turning to journalism.



The Landwater Viaduct is the largest and most spectacular structure along the route of the Glacier Express, which connects the two major mountain resorts of St. Moritz and Zermatt in the Swiss Alps and passes through the UNESCO World Heritage Site known as the "Rhaetian Railway in the Albula / Bernina Landscapes". Its three main pillars were completed in 1902 – without scaffolding and using only a couple of cranes!

Picture: Shutterstock





# A Center of Excellence for International Arbitration

If you enter into a contract with a party from abroad, arbitration is very often the best, speediest, and most cost-efficient option for dispute resolution. And sometimes, it is your only choice.

Author: **B. Gino Koenig**

For centuries, Switzerland has been one of the most preferred places for the conduct of international arbitration proceedings. Hundreds of arbitration proceedings take place in Switzerland every year. The majority are sports-related and administered by the Court of Arbitration for Sport located in Lausanne. However, there are also hundreds of commercial arbitrations held in Switzerland every year, most of them under the Arbitration Rules of the International Chamber of Commerce in Paris (ICC Rules) and the Swiss Rules of International Arbitration of the Swiss Chambers' Arbitration Institution (Swiss Rules). There are also numerous so-called "ad-hoc" arbitration proceedings which are not administered by an institution like the International Chamber of Commerce (ICC) or the Swiss Chambers Arbitration Institution (Swiss Chambers). ICC Statistics for 2009 and 2010 show 119 and 86 proceedings, respectively, initiated in those years in Switzerland. Under the Swiss Rules, 87 cases were submitted in 2011 and 89 in 2010.

There are many factors which contribute to Switzerland's success as a place of arbitration. First of all, Switzerland's neutrality has certainly played a major role. Traditionally, many commercial East-West disputes during the Cold War period took place in Switzerland. But also before and after that, Switzerland was, and still is, chosen because of its neutrality. An equally important point in its favor is its political and economic stability. Because of its favorable arbitration law and its liberal legal framework, in particular the Swiss Code of Obligations, many parties agree in their contracts on Switzerland as their place of arbitration and on Swiss law as the law governing their contract. The many Swiss lawyers who represent the parties and act as arbitrators in a dispute are experienced and multilingual, thus lending further credibility to Switzerland's reputation as an excellent location for international arbitrations.

Statistical data compiled by the ICC, the world's premier arbitration institution, show that Switzerland is the most attractive place for arbitrations conducted under the ICC Rules, together with France. Concerning the origin of arbitrators chosen by the parties or appointed by the ICC, Swiss arbitrators consistently take the lead in the respective rankings, followed by arbitrators from the United Kingdom. With respect to the applicable law chosen by the parties, Swiss law usually ranks second behind the law of England and Wales.

## What is Arbitration?

Arbitration is generally considered as a means by which contract disputes are settled by a private tribunal selected by the parties under private adjudication procedures agreed on by them. The arbitral tribunal, consisting of either one or three arbitrators, decides the dispute in an award.

## The Arbitration Agreement

Parties who wish to submit their dispute to arbitration enter into an arbitration agreement either before or after a dispute has arisen. An arbitration agreement must generally be made in writing and prevents otherwise competent courts from adjudicating the dispute. In drafting an arbitration agreement, it is advisable not to be creative, unless the drafter is experienced and/or assisted by experienced counsel. It is strongly recommended that institutional arbitration, i.e. conduct of arbitrations under the rules of an arbitration institution, such as the ICC or the Swiss Chambers (as opposed to ad-hoc arbitration) be used, and that the model arbitration clause proposed by the institution under which an arbitration proceeding be inserted into the contract, if any, should take place. It is also suggested that the place of arbitration and the language in which it

The Prime Tower, Zurich's newest – and Switzerland's highest – skyscraper (126 meters). It has been open for business since December 2011 and, in addition to offices, it holds a restaurant on the top floor, a hotel, and a conference center.

Picture: Imagepoint





Picture: Eric Fahrner / Shutterstock.com

Hundreds of arbitration proceedings take place in Switzerland every year. The majority are sports-related and administered by the Court of Arbitration for Sport located in Lausanne.

is to be conducted be determined. The law applicable to the dispute should also be chosen by the parties, but is usually not part of the arbitration clause.

### Why Arbitration?

The first reason why parties from different countries resort to arbitration – mostly in a third, i.e. “neutral”, country – is that they do not want to litigate in the courts of their opponent. In this sense, arbitration provides a neutral forum. Further advantages of arbitration include greater confidentiality than in court proceedings and the right to appoint arbitrators with the appropriate experience and skills. The parties can also choose and agree on their own tailor-made procedural rules as well as the language of the proceedings, rather than having to cope with inflexible procedural rules and a language dictated by a particular forum or jurisdiction. One of the greatest advantages

of Switzerland as a place of arbitration is, however, that arbitration awards (which are deemed to have been made at the place of arbitration) can only be challenged before the Swiss Supreme Court as the one and only instance. Additionally, an award can be annulled only on very limited grounds, most importantly the lack of jurisdiction, the violation of the right to be heard (due process), and incompatibility with public policy. There is neither a review of the facts of the case nor of a point of law. Since 1989, only about 5 percent of the awards rendered in Switzerland have been annulled, a majority of which were sports-related awards. The Swiss Supreme Court decides challenges of arbitration awards on average within less than 6 months. In many other countries, the grounds for challenging arbitration awards are similar. However, a challenge can involve two or even three instances and the procedure sometimes takes several years.

The recognition and enforcement of arbitral awards is governed by the New York Convention of 1958, which is applicable in more than 140 countries. Because of this very broad territorial field of application and the restricted grounds for resisting the recognition and enforcement of awards, arbitral awards are generally enforced faster and more easily than court judgments. Experience also shows that arbitral awards are complied with more willingly because of the consensual nature of arbitration. Because challenges of arbitral decisions before the courts are relatively rare and because judicial review is limited, international arbitrators are not particularly concerned that their decision will be annulled if it is challenged in a court. Therefore, international arbitrators usually do not concern themselves with technicalities or formalities which a state court would have to observe and which might lead to a seemingly inequitable or “unfair” result in a particular case. It is thus often easier for arbitrators to dispense “justice on the merits” than it is for courts to do so. Finally, the potential for speedy dispute resolution (only one instance instead of the usual two to three instances in court proceedings) and a more efficient process of recognizing and enforcing arbitral awards make arbitration a more attractive and economical option, on the whole, especially for larger, more complex international disputes.

### Nature of Disputes

Internationally, disputes referred to arbitration come from all sectors of the economy and arise in connection with all types of agreements. The construction and engineering industry, sports, and energy deals, share purchases, and the sale of goods account for a large percentage of the cases submitted to arbitration. Amounts in dispute range from less than CHF 50,000 to more than CHF 2 billion. Almost 50 percent of the disputes involve amounts of between CHF 500,000 and CHF 10,000,000. Recent cases the author dealt with as either counsel to a party or an arbitrator include disputes in the context of the aborted development of a solar power plant in the Middle East, the construction and performance of the cooling system of six gas-fired power plants in the U.S., the construction of a 1,500 km long multi-purpose pipeline in India, the delivery

of a concrete cutting machine and slipformer (machine to produce concrete products) by a Western European party to a Russian company, and a match agent agreement between an Asian soccer association and an English company. Swiss law was the applicable substantive law in all those cases, even though – or because – no Swiss party was involved.

### Conclusion

My experience as an arbitrator and counsel to parties is that arbitration is very often the only choice parties from different countries have to settle their disputes. Neither of them want to go to the other party's country to have their claim adjudicated, in a language they do not understand, and before a court which may decide in favor of the party that already has “home advantage”. At the heart of Europe, Switzerland has proven to be a center of excellence for the conduct of international arbitrations.

#### B. Gino Koenig

Dr. B. Gino Koenig, LL.M., is an attorney-at-law specialized in international arbitration and litigation. He regularly acts as chair, sole arbitrator, party-appointed arbitrator, and counsel to parties. Dr. Koenig is a partner with Lustenberger Attorneys at Law in Zurich.







Swiss railway station clock produced by the Mondaine Watch Ltd. (also available as a wrist-watch). At over 5,000 km in length, the Swiss railway network is the densest transportation network in the world, and it is still growing. A one-train-an-hour system applies for all major destinations, and the trains are well-connected to other means of public transportation in Switzerland, i.e. trams, busses, and boats.

Picture: © FDFA, Presence Switzerland

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